S. Hrg. 99-905, Pt. 2

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 5234

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1987, AND FOR OTHER PURPOSES

PART 2—(Pages 1-1112)

Department of Energy
Department of Health and Human Services
Department of the Interior
Institute of Museum Services
National Endowment for the Arts
Navajo and Hopi Indian Relocation Commission
Smithsonian Institution
U.S. Holocaust Memorial Council

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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

THURSDAY, MARCH 27, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:20 p.m., in room SD–138, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure and DeConcini.

DEPARTMENT OF THE INTERIOR

BUREAU OF MINES

STATEMENT OF ROBERT C. HORTON, DIRECTOR

ACCOMPANIED BY:
DAVID S. BROWN, DEPUTY DIRECTOR
JAMES F. DONAHUE, CHIEF, DIVISION OF BUDGET
ANTHONY L. ITTEILAG, DIRECTOR OF BUDGET, DEPARTMENT OF THE INTERIOR

PREPARED STATEMENT

Senator MCCLURE. Good afternoon. This is the time scheduled to review the fiscal year 1987 budget request for the Bureau of Mines. The request for 1987 is $107,600,000. This is a $20,611,000 or a 16-percent decrease from the fiscal year 1986 sequestered level.

Testifying on behalf of the Department today is the Director of the Bureau of Mines, Mr. Robert C. Horton.

Mr. Horton, if you would introduce any associates who may be assisting you today, we will proceed directly to questions. Your full statement will, of course, be put in the record at this point.

[The statement follows:]

STATEMENT OF ROBERT C. HORTON

It is my pleasure to appear before you today to discuss the Bureau of Mines programs and the budget request of $107,100,000 for the Mines and Minerals appropriation for fiscal year 1987. Within that request, we propose $61,180,000 for Minerals Research, $26,570,000 for Minerals Information and Analysis, and $19,350,000 for General Administration. This budget request represents a decrease of $20,611,000 from the fiscal year 1986 appropriation less the Gramm- Rudman-Hollings (G-R-H) reductions.

When considering the appropriations and budgets of the Bureau of Mines, I find it useful to separate the internal and external funding. Internal funds are those used to directly support the internal programs of the Bureau - its personnel, facilities, and contracts. External funds are those awarded through the Bureau, for purposes of management and oversight, to organizations external to the Bureau. In recent years, these organizations have been the Idaho National Engineering Laboratory (INEL) of the Department of Energy, the Mineral Institutes, and the Pennsylvania State/West Virginia University Generic Center for Respirable Dust.

The attached table lists the major internal and external program funds of the Bureau for the fiscal year 1985 and fiscal year 1986 appropriations, the fiscal year 1986 appropriations less the G-R-H reductions, the fiscal year 1987 base, the budget estimate for fiscal year 1987, and the changes from 1986 and the base budget.

This budget request, when compared with the 1986 appropriations less the G-R-H reductions, represents a decrease of $8,454,000 in internal funds. This reduction is slightly greater than the reduction in internal funds provided by the fiscal year 1986 appropriations less the G-R-H reductions when compared to the fiscal year 1985 appropriations. The changes in internal funding consist of decreases of $8,808,000 in Minerals Research and $1,181,000 in Minerals Information and Analysis.

This budget request does not propose any fiscal year 1987 appropriations for external programs, resulting in additional reductions $13,512,000. The reasons for this decision are given later in my testimony. I would, however, mention at this time that the decision was influenced by the desire to maintain the maximum mineral research and information capabilities of the Bureau while responding to the critical requirement to reduce Federal spending.

We strongly support the goal of the President and the Congress of achieving a balanced Federal budget by 1991. This budget estimate reflects what we sincerely believe are budget reductions that can be accomplished without sacrificing programs essential to the welfare of the Nation, the mineral industry, or the individual miner.

The principal mission of the Bureau of Mines is to help ensure that the United States has an adequate and dependable supply of minerals to meet its defense and economic needs at acceptable environmental, energy, and economic costs. It pursues that mission by acquiring and analyzing worldwide minerals data and by conducting research to enhance mining and mineral processing safety, productivity, and efficiency.

Last year I mentioned Project 2000, an initiative of the Bureau of Mines conceived and conducted to ensure identification of, and appropriate responses to, new and continuing mineral-related problems and issues. I am pleased to report that Project 2000 has been completed. Copies of the full report were distributed to appropriate members and committees of Congress.

Mr. Chairman, I will now outline the major features of our fiscal year 1987 budget request and explain the rationale behind our major 1987 reduction recommendations.

Minerals Research Programs

The budget proposes $61,180,000 for Minerals Research--$26,121,000 for Health and Safety Technology, $9,744,000 for Mining Technology, and $25,315,000 for Minerals and Materials Research.

The proposed budget for Health and Safety Technology will support continued research efforts to solve the most serious problems threatening miners' lives (ground control and mine disasters), safety (industrial hazards), and health (respirable dust). The rates of fatal and nonfatal accidents experienced in the coal mining industry in 1985 continued their historic downward trend. The rate of fatal injuries in 1985 was equal to the record low rate experienced in 1983, and down 43 percent from the rate in 1984. The factors leading to this trend include the technological improvements pioneered by more than seven decades of Bureau of Mines research; the regulation, inspection and enforcement activities initiated by the Bureau and now carried out by the Mine Safety and Health Administration (MSHA); the more widespread use of safer mining methods; and greater safety consciousness, concern, and training by the mining industry, its unions, and individual miners. The encouraging trends in mining fatality and injury rates have led the Bureau to propose a reduction in Health and Safety Technology research of $7,542,000 from the base.

Funding for Respirable Dust research supports a modest increase for in-house research which will seek solutions to the silica dust problem. The budget request would be reduced $1,877,000 by discontinuing grant funding to the Respirable Dust Generic Center at Pennsylvania State and West Virginia Universities. Funds appropriated in FY 1986 and prior years will continue to support work at the Generic Center through FY 1988.

Research funding for Ground Control and Industrial Hazards represents 56 percent of the total funding requested for Health and Safety Technology, reflecting the fact that these hazards remain among the Bureau's highest priority research areas. They are still leading causes of fatal and nonfatal injuries. Funding for Ground Control research would be reduced by $736,000, and funding for Industrial Hazards research would be reduced by $991,000; however, important work such as research to predict mountain bumps, use remote sensing to detect ground control hazards, and investigate application of robotics would continue.

The restructured program includes a Mine Disaster Prevention element which would be aimed at preventing the recurrence of disasters such as the 1984 Wilberg Mine fire in Utah, and would redirect efforts in survival and rescue and methane control. Research under this element would combine efforts previously carried out under the Fire and Explosion Prevention, Methane Control, and Postdisaster Survival and Rescue program elements. Total funding in these areas would be reduced by $3,686,000.

The Physical and Chemical Agents element would continue efforts in noise control and reinstate efforts in control of toxic and hazardous materials found in the mining environment. Total funding in this area would be reduced by $252,000.

The proposed budget for Mining Technology includes a $3,432,000 program decrease from the base. Funds appropriated for a pilot demonstration of in situ copper mining will be adequate to complete the initial phase of design and engineering. Responsibility for further efforts belongs to the private sector. Funds previously provided to perform proof-of-concept validation of coal mining equipment were sufficient to complete those efforts. Follow-on funding will not be necessary.

The proposed budget for Minerals and Materials Research will continue to emphasize efforts to establish a stockpile of basic information on technologies applicable to processing resources from Alaska as well as identified domestic low-grade resources of strategic and critical minerals and recovery of these materials from scrap and waste. The program includes a $7,200,000 program decrease from the base. Savings from discontinuing efforts at the Idaho National Engineering Laboratory (INEL) account for $3,976,000 of this program decrease. Funds provided for research at INEL in FY 1986 will continue to support efforts through FY 1988. The remainder come from reductions in lower priority research efforts in all program areas.

Minerals Information and Analysis Programs

We are requesting $26,570,000 for Minerals Information and Analysis programs -- $9,856,000 for Minerals Information, and $16,714,000 for Mineral Data Analysis.

In Minerals Information there is a $66,000 decrease in the Data Collection and Dissemination program. The budget for computer support of the Automated Minerals Information System has also been transferred to the Office of Automatic Data Processing under General Administration as a base adjustment.

A program decrease of $1,793,000 is proposed for Mineral Data Analysis. This decrease results from the substantial completion of the mandated Bureau of Land Management mineral land assessment program and reductions in mineral investigations.

Mineral Institutes

No funding is proposed for Mineral Institutes, a reduction of $7,950,000 from the FY 1986 appropriation. Allotment grants awarded in FY 1986 and prior years will support the programs of the Mineral Institutes through the 1986-7 academic year. Research grants will continue to support research activities in the five generic minerals technology areas through FY 1988. As these funds are expended, the States and private sector are expected to continue to support these programs. Federal funding support would be discontinued.

General Administration

The budget proposes $19,350,000 for General Administration. This includes a base reduction of $350,000 and 12 FTEs resulting from streamlining and consolidation of administrative functions, and base increases resulting from increased rental costs and transfer of the budget for ADP support for the Automated Minerals Information System from Minerals Information to General Administration. No net program increase or decrease is proposed.

Mr. Chairman, this concludes my formal statement. I will be pleased to answer any questions.

Department of the Interior
Bureau of Mines
Comparison of Internal and External Program Funding

(Dollars in Thousands)

Subactivity/Program	1985 Approp.	1986 Approp.	1986 G-R-H	1987 Estimate	1987 Est. less 1986 G-R-H funds
Minerals Research:					
Health and Safety	$32,779	$31,415	$30,078	$26,121	-$ 3,957
Mining Technology	13,526	13,145	12,585	9,744	- 2,841
Minerals and Materials	27,370	28,539	27,325	25,315	- 2,010
Subtotal	$73,675	$73,099	$69,988	$61,180	-$ 8,808
Minerals Information and Analysis					
Minerals Information	$10,856	$10,554	$10,105	$ 9,856	-$ 249
Mineral Data Analysis	18,550	18,431	17,646	16,714	- 932
Subtotal	$29,406	$28,985	$27,751	$26,570	-$ 1,181
General Administration	$20,160	$18,607	$17,815	$19,350	+$ 1,535
Total, Internal Program	$123,241	$120,691	$115,554	$107,100	-$ 8,454

Department of the Interior
Bureau of Mines
Comparison of Internal and External Program Funding

(Dollars in Thousands)

Subactivity/Program	1985 Approp.	1986 Approp.	1986 G-R-H	1987 Estimate	1987 Est. less 1986 G-R-H funds
External Program					
Idaho National Eng. Lab	$ 5,391	$ 3,976	$ 3,806	...	-$ 3,806
Mineral Institutes	7,842	7,950	7,612	...	- 7,612
Resp. Dust (PSU/WVU)	1,152	2,187	2,094	...	- 2,094
Total, External Program	$14,383	$14,113	$13,512	...	-$13,512
Financing from Prior Year Appropriations	-$1,667	-$1,355	-$1,355	...	+$ 1,355
Total, Mines and Minerals	$135,959	$133,449	$127,711	$107,100	-$20,611
FTE	2,405	2,381	2,381	2,251	- 130

INTRODUCTION OF ASSOCIATE

Mr. HORTON. Thank you, Mr. Chairman. I have with me Jim Donahue, Budget Officer for the Bureau of Mines. And seated conveniently behind me are many of the Assistant Directors for the Bureau in case we need some indepth answers.

Senator MCCLURE. Thank you.

FTE REDUCTIONS

At the funding level you've proposed for fiscal year 1987, you also indicate that FTE's will decrease by 130. If Congress agreed with this funding level, would any research centers close?

Mr. HORTON. Yes, sir; it's likely that we would have to close Avondale. We have not closed any research centers but we are currently studying Avondale, as we were last year, sir.

Senator MCCLURE. What will be done with research that they're doing?

Mr. HORTON. A substantial portion of it will be transferred to our other research centers. There will be some projects that we would probably not be able to immediately carry on.

Senator MCCLURE. Have you taken any steps to begin this FTE reduction either through RIF's or attrition?

Mr. HORTON. Not through RIF's, Mr. Chairman, but through attrition, yes. Our ceiling is indicated this year at 2,381 but because of attrition—resignations and retirements we're currently operating at a rate of approximately 2,290.

Senator MCCLURE. Where did you start this fiscal year?

Mr. HORTON. I don't remember that number, Mr. Chairman. It would have been close to 2,380.

Senator McCLURE. So most of that attrition has occurred during this fiscal year?

Mr. HORTON. Yes, sir.

Senator McCLURE. Could you provide for the record the exact number?

Mr. HORTON. Yes.

[The information follows:]

BUREAU ATTRITION

The Bureau used 2,424 FTE during fiscal year 1985. The Bureau began fiscal year 1986 with an annualized FTE usage rate of 2,350. The latest information (March 29, 1986) shows an annualized usage rate of 2,320, a reduction of 30 FTE.

ATTRITION RATES

Senator McCLURE. Thank you.

For the past few years, the Bureau has submitted budgets the Congress felt were too low and subsequently restored the Bureau's funding to the previous year's level.

Even though Congress has added the funds back, the low request made by the Bureau must have had an impact on the morale of employees.

Have the attrition rates at the Bureau been higher than other bureaus at the Department of the Interior?

Mr. HORTON. I don't know the answer to that, Mr. Chairman. I might be able to find out for you.

Senator McCLURE. Would you provide for the record what information you can give us?

Mr. HORTON. Yes, sir.

[The information follows:]

DEPARTMENTAL ATTRITION

The Bureau is below the departmental average of 16.5 percent for separations, based upon the first 5 months of 1986. The Bureau's rate for this period was 10.6 percent.

MERGER WITH GEOLOGICAL SURVEY

Senator McCLURE. Have there been any discussions at the Department about merging the Bureau with the Geological Survey?

Mr. HORTON. I have not participated in any discussions of that nature, though, from time to time, I believe that has been discussed within the Department.

PROJECT 2000

Senator McCLURE. Last year, the Bureau of Mines released a strategic plan called Project 2000. Project 2000 is designed to be a formal response to internal and external concerns regarding the future role of the Bureau in identifying and executing the mineral-related responsibilities of the Federal Government.

In putting together project 2000, the Bureau discussed mineral issues with experts inside and outside of Government. This was followed up by establishing objectives and evaluating current programs.

What annual funding is required to accomplish the objectives of project 2000?

Mr. HORTON. I don't know that I could give you a precise figure. The rate of accomplishment reflects the annual budget available. The lower the budget, the slower the accomplishment.

Within the goals and objectives established there is substantial room for heavy involvement or light involvement.

We have identified objectives that address all of the goals. It would be incorrect to tell you that we were addressing every single objective, though we have identified programs in most areas.

I'm wracking my mind so that I can give you a complete answer, and I don't know that I can.

Senator MCCLURE. Well, let me approach it this way if I can. You've indicated that the rate of accomplishment depends upon budgetary levels. Now, obviously, that's true.

You've also indicated that, to a degree, it might be a slow process, will take a number of years.

Do you have any idea of the number of years at the current budgetary levels to accomplish the objectives of project 2000?

Mr. HORTON. At the present funding level? It would be to the year 2000.

Senator MCCLURE. And is that true of the proposed budget for 1987?

Mr. HORTON. Yes, sir.

Senator MCCLURE. You would achieve all the objectives by the year 2000?

Mr. HORTON. Yes; some of the objectives are rather ambitious. And the achievement depends upon other actions by other agencies of Government. But that would be under our control, I believe, yes, we would.

Senator MCCLURE. In what part of your budget are project 2000 objectives most visible?

Mr. HORTON. Every program in this budget addresses objectives in project 2000. There are no programs in here that do not relate to project 2000.

So the answer would be the entire budget document relates to project 2000.

Senator MCCLURE. No particular place?

Mr. HORTON. No, sir.

Senator MCCLURE. Do you know of any stated goal in project 2000 that might be in jeopardy because of budgetary concern?

Mr. HORTON. No; but one goal—to give you a full answer, one goal comes to mind. And that's some of the relations with the universities that will be certainly less effective in the absence of the mineral institutes.

BUREAU PRIORITIES

Senator McCLURE. Your budget proposes a large reduction in minerals research, down 20 percent. But a very small reduction in minerals information and analysis; that's 4 percent.

If budgets are any indications of priorities, it appears that the Bureau is more concerned with minerals data than with basic mineral research.

Is that correct?

Mr. HORTON. I don't think an answer to that would be yes or no but I believe I can give you a brief answer.

The minerals information is perhaps the highest priority in the Bureau, in that in the absence of reliable mineral information on the worldwide basis that the Bureau collects, the Government suffers and industry suffers by not having the information available on which to form policies, or on which to react.

And the same applies with regard to the research. Having said that, I guess I would answer your question directly that, yes, the mineral information and analysis enjoys a higher priority than research at present; they have been reduced in the past and are now at what I consider the minimum level.

Some of the mineral data analysis budget applies to some of our mineral land assessment studies, so it's an accident of organization that it is funded under mineral data and analysis.

OFFICE OF MANAGEMENT AND BUDGET PASSBACK

Senator McCLURE. Mr. Horton, I know that you and any other witness that appear here before the administration is in a difficult position in some regards because you and your people put together your own budget. You analyze your own needs. You make requests.

And then you're also subject to the restrictions and directions from the Office of Management and Budget [OMB] with respect to that budget. I respect that process. I know that you are bound to come up here and say that the budget you have presented is that of the administration. I respect that as well.

At the same time, for us to get a handle on the real priorities that may be required in our own judgment, we have to ask you some questions that go behind the results and a little bit about what went into the process.

In a rather generalized sense and not now dealing with specific areas of your budget, did you receive what you requested from OMB? Or were you required by OMB to reduce your budget?

Mr. HORTON. The passback from OMB reduced our budget.

Senator McCLURE. Did they give you detailed instructions on that passback or general instructions?

Mr. HORTON. There were some specific instructions. I think I can discuss those openly. After discussions with the Assistant Secretary between the Bureau and the Assistant Secretary's Office, it's my memory that we recommended 112—I'm speaking in round numbers now—a $112 million budget to the Department.

Following discussions with the Department, we added $5 million for mineral institutes, making a total of $117 million. The budget passback from OMB was $107 million with the mineral institutes' funding removed, and other lesser reductions.

Senator McClure. So they reduced you from $112 to $107 million?

Mr. Horton. Yes, sir.

Senator McClure. Plus the mineral institutes.

Mr. Horton. Which is their job, of course.

Senator McClure. That's one thing I've noted about the administration; they are thoroughly consistent. Year after year, they make the same request, which, year after year, we ignore.

Mr. Horton. I would enjoy a little variety myself. [Laughter.]

Senator McClure. And it's not so noticeable here as it is in some other places. Anything that Congress thought of to add on is automatically deferred. Nothing that they thought of in OMB or in the agency itself is ever deferred.

Now that's a generalization but it's about 95 percent accurate.

Which doesn't bode well, incidentally, and I'm not beating on you, I've said this to a number of people within the administration, it does not really argue well for good legislative-executive relationships.

REDUCING DUST EXPOSURE

In fiscal year 1986, the cost of black lung compensation is expected to reach $2 billion. One of the goals that was stated in project 2000 was to provide cost-effective technology to allow industry to reduce average dust exposure of miners by 25 percent by the year 2000.

Mr. Horton. Yes, sir.

Senator McClure. Your justification states that the number of miners on more stringent standards has increased because MSHA is getting better at measuring silica.

Obviously, the successful development of effective technology that would allow a 25-percent reduction would be beneficial to the miner, and it would also be beneficial to the taxpayer.

Is the research in this area going well enough to propose a 27-percent reduction in funding and still keep the 25-percent reduction goal?

Mr. Horton. I'm hopeful that we can achieve that 25 percent reduction. The principal reduction, round numbers, $2 million, comes by eliminating the funding for the Respirable Dust Center at Penn State and West Virginia Universities.

There are some modest increases in the work we're doing in dust suppression and dust measurement.

Senator McClure. But it would be primarily by the elimination of those centers where the reduction will occur?

Mr. Horton. Yes.

Senator McClure. Are they simply doing what you're already doing in other ways? Or are they doing work that's independent?

Mr. Horton. No; they're doing independent work.

Senator McClure. Can you really tell us that that independent work is less productive than the work you do in-house?

Mr. Horton. No; I wouldn't characterize it that way for a moment.

Senator McClure. You must have. That's what the budget says.

Mr. Horton. The choice came, Mr. Chairman, in many areas of the budget and, in my formal statement I split out internal and external funding so my thought processes would be clearly revealed, and the choice was between maintaining an in-house capability or losing the in-house capability and transferring it externally.

My choice was to maintain it internally.

Senator McClure. Are the more stringent standards you mentioned in your justification new standards or the application of current standards to more mines?

Mr. Horton. It's application of existing standards, but the reduced standards come by reason of the presence of silica. Without the presence of silica, coal mines are allowed 2 milligrams of coal dust per cubic meter.

With silica, that level must be reduced. The greater the silica, the greater the reduction. Those reductions are standard reductions. But it makes operating the mine more difficult.

Senator McClure. Are the research goals shifted to accommodate these more stringent standards, or are you only focusing on the goal of the 25-percent reduction?

Mr. Horton. No; if we could achieve more than 25 percent reduction, we'd work equally hard for that. We haven't set that as necessarily a maximum goal.

Senator McClure. But the research goals are still the same?

Mr. Horton. Yes, sir; with more emphasis on silica, as it's always been there, but the Mine Safety Health Administration's [MSHA] ability to measure it more accurately has enabled them to apply the standard.

So we are paying more attention to silica dust than we have in the past.

Senator McClure. To attain the 25-percent reduction, will the technology be developed in dust formation, in dust suppression, a combination of both, or is it too early to tell?

Mr. Horton. Looking at our budgets for that, Mr. Chairman, the dust formation comparison—comparisons of budget numbers for 1986 and 1987 in dust formation is $1,350,000 in 1986, and $1,222,000 in 1987.

In dust suppression, $1,923,000 in 1986, increasing to $2,204,000 in 1987, and in dust measurement, $650,000 in 1986, increasing to $990,000 in 1987.

While we have reduced the overall effort by some $1.5 million, $2 million of that was, as I mentioned before, the nonfunding of the Respirable Dust Center. But there was about a $500,000 increase in our in-house work.

Senator McCLURE. Well, does the dollar shifts that you have indicated—slightly less money in dust formation, slightly more money in dust suppression, and slightly more money in measurement—does that indicate where you think the breakthroughs will occur? Or does that indicate where the need for expenditure in research occurs?

Mr. HORTON. That's where we believe that the research can be most productive in the overall dust problem.

Senator McCLURE. You believe it can be most productive there.

Mr. HORTON. Yes.

Senator McCLURE. So that is where you're looking for the larger changes?

Mr. HORTON. Yes, Mr. Chairman; and it's hard to talk on a specific year's numbers because past accomplishments cause us to shift funds to other areas of research. And it's not that dust formation is still not important but we've done quite a bit in dust formation and feel that, now, a greater priority is needed in dust suppression and dust measurement.

Next year or the following year, because of new problems or our accomplishments, we might consider other areas of higher priority, while trying to maintain a balanced program.

MINERAL INDUSTRY REGULATION

Senator McCLURE. One of the problems we have in drafting laws is the question of followthrough.

Are the rules and regulations that agencies are drafting as a result of that law correctly interpreting the scope of the law?

I note that one of the objectives stated in project 2000 is to cooperate with regulatory agencies to develop laws, rules, and regulations that will have the intended effect on the operations of the minerals industry.

I don't question that the Bureau has mineral information expertise to carry out this objective, but are you seeking a role in regulating the mineral industry?

Mr. HORTON. Not seeking a role in regulating. We are seeking very ambitiously a role in aiding the regulatory agencies in their considerations of proposed regulations, to make sure that the economics, the technology, and the problems are well considered.

To that end, we've formed a regulatory projects coordination group to coordinate our work in regulatory issues. The group consists of a small staff that's charged with the responsibility for maintaining an awareness of evolving regulatory issues affecting the domestic mineral industry and serves as a central focus point for regulatory interactions with the Bureau, the Department of the Interior, and with Federal regulatory agencies.

Additionally, we have formed working groups to address specific areas. At the present time, we have groups working on the reinterpretation of the Resource Conservation Recovery Act [RCRA], smelter and refinery waste exclusion, on the revision of the national ambient air quality standards for lead, on the regulatory determination for mine waste under RCRA, a listing of surface coal mines under the national ambient air quality standards, the revisions of the national ambient air quality standards for sulphur dioxide, on proposed rules on gold placer mining, effluent limitations and guidelines, and proposed rules on asbestos mining and imports.

With our research skills, economic skills, and general knowledge of the operation of the mining industry, we think we have much to add to the regulatory agencies in these particular areas, to the Environmental Protection Agency [EPA] in assisting them in coming up with appropriate regulations.

Senator McClure. Are you suggesting in project 2000 and in the activity which you have outlined just now additional resources should be made available to the Bureau, or are you simply carrying out what you have been doing before?

Mr. Horton. I am sorry, Mr. Chairman. Could you repeat the question?

Senator McClure. I will try.

Are you describing something new that will require more resources for you to carry out, or have you outlined something which is simply a continuation of what you have already been doing?

Mr. Horton. No; we have transferred some resources to that effort in the firm belief that we can be of greater assistance by placing effort in the regulatory area than we might in some other areas.

The regulatory requirements that may be faced by the mineral industry can represent billions of dollars of investment or lost earnings. So we are sensitive to that particular area.

We have staffed these working groups by people from the mineral data analysis group, minerals information, from mining research, metallurgy research, wherever we need some expertise in a particular area. They are not permanent assignments. They are to address the particular problem, assist EPA or other regulatory agencies in understanding the problems.

We find that part of the problem, is that people don't always understand the mining industry.

ANALYSES OF THE MINERAL SITUATION

Senator McClure. You and I both know that the state of the domestic mineral industry is grim. There are a number of reasons why this is true, and I don't want to go through all of the grim litany, but they certainly include regulatory costs, international competition, and domestic tax obligations and policy.

Project 2000 proposes to establish a staff of professionals to conduct analyses of proposed taxes, trade, and tariff measures, foreign subsidies, and so forth.

Has this core group been established?

Mr. Horton. Yes, sir; and been in operation for some time. Perhaps our first major effort in that particular area was in the 201 petition filed by the copper industry where we worked with the International Trade Representative's Office to assist them in collecting data and interpreting the information.

At the present time we are looking at international financing organizations—the World Bank and other financing organizations—through a contractor as well as our own people to try and determine the degree of subsidization occasioned by those loans.

Senator McClure. Has this core group analyzed the impact of the various tax bills on the mineral industry?

Mr. Horton. We have made one analysis of the tax bills. We are in the midst of an analysis now on the House bill and I believe the Senate, as well as Treasury II. Those will be done very shortly, within 1 week.

Senator McClure. Can you make that available to us when completed?

Mr. Horton. Most certainly.

Senator McClure. Senator DeConcini.

IN SITU COPPER LEACHING

Senator DeConcini. Mr. Chairman, thank you very much. Sorry I missed the opening of the hearings. Of very great interest to me is the work that the Bureau of Mines does in Arizona and elsewhere.

Mr. Horton, I wonder if I can get it down to some little small numbers here.

Last year, as you know, Congress added $1 million to the research budget for the Bureau in fiscal year 1986 to undertake a demonstration project on in situ copper leaching at Casa Grande, AZ.

Can you give us an update on the progress the Bureau has made to date on the initiation of the project and what steps are necessary to prepare for the actual demonstration?

Mr. Horton. Be pleased to, Senator DeConcini.

Beginning last November, I believe, we held three separate meetings in Arizona with major copper mines to discuss in situ operations, what properties they might have, and other general considerations, try to get a better handle on the state of the art, though we have been doing in situ research in the Bureau for some years.

At the present time we have advertised in the Commerce Business Daily for requests for proposals for engineering studies of the Casa Grande area. Those proposals are due quite soon, at which time we look forward to awarding a contract for the study of sites and completion of the engineering studies.

Senator DeConcini. What kind of time do you think we are talking about? Do you have any ballpark figures?

Mr. Horton. We are hopeful that we will get it done this year, but it may take——

Senator DeConcini. This calendar year or——

Mr. Horton. This calendar year.

Senator DeConcini. This calendar year.

You mean get the actual site feasibility studies completed?

Mr. Horton. Yes.

Senator DECONCINI. I note that no funds have been requested in the 1987 budget to continue the in situ work beyond this year.

Knowing that the $1 million was to fund the first year of a 3- to 5-year demonstration project, what do you have to say to the fact that no money was requested for fiscal year 1987?

Is that—maybe you don't want to say, but did OMB cut that out?

I presume you felt strongly enough about this project that you would have made a recommendation for funding because you know it is a 3- to 5-year project.

Mr. HORTON. There were extensive discussions, Senator.

Senator DECONCINI. And you lost, I take it?

Mr. HORTON. The proposal in the budget won.

Senator DECONCINI. Do you personally feel that it is still a good research project to be under consideration by the Bureau?

Mr. HORTON. That is an excellent research project, a very appropriate project. It may offer the copper industry, and certainly will offer at least some properties in the copper industry, an opportunity to produce low cost copper.

Senator DECONCINI. Can you give me an estimate, Mr. Director, of how much money would be necessary to continue substantial work on the in situ demonstration project for 1987?

You can supply it for the record.

Mr. HORTON. Well, we are hopeful we will finish the engineering study on schedule. The funds, additional funds, will depend upon the extent of the demonstration project. How many holes may be required. How deep they will have to be drilled. Whether surface installations will be required or not.

But offhand, it will be—the funds that will be required by somebody contemplating that project I would expect would be in the realm of $5 million to perhaps $12 million.

Senator DECONCINI. Total?

Mr. HORTON. Total for that project.

Senator DECONCINI. What about for 1987? What would be your estimate of funds necessary to continue the work in fiscal year 1987?

Mr. HORTON. If I might, rather than giving you an offhand answer—and that is what it would be—I would rather——

Senator DECONCINI. Fine. If you would like to give me an estimate later, that is fine.

Mr. HORTON. Yes; if I could.

Senator DECONCINI. If you would supply it for the record.

[The information follows:]

IN SITU COPPER DEMONSTRATION PROJECT

Up to $5 million could be utilized in fiscal year 1987 to continue the in situ copper demonstration project beyond the engineering studies of site feasibility which were funded with $1 million in fiscal year 1986. The next phase of the project could include: construction of a pilot plant, drilling of injection wells, instrumentation for testing, and environmental studies including specific research to determine how to minimize any adverse effects on ground and surface water resources during recovery of the copper as well as how to dispose of the spent leach solutions in ways which would be environmentally acceptable. The State of Arizona would be a primary beneficiary of this research and we suggest that the State could join with industry and the Bureau in funding the remainder of the in situ demonstration project.

INFORMATION ON IN SITU COPPER MINING

Senator DECONCINI. That is quite satisfactory.

I understand the copper industry in this country is really unable to plan in situ copper mining projects because there is little or no information available on operating cost.

In the past research efforts have been scattered among a number of deposits, and for this reason there is no internally consistent set of data on which to base a feasibility study.

Would you agree with that?

Mr. HORTON. I think that is accurate, yes, sir.

Senator DECONCINI. Would you also agree that a single full-scale test project has the potential of providing industry with just the type of information that we now lack in a coordinated effort?

Mr. HORTON. Yes; additional projects will be required because an in situ operation is not like the development and demonstration of a standard metallurgical process. There is enough variations in geology and physical setting that the success at one operation does not guarantee success at all other operations.

Senator DECONCINI. Sure.

Mr. HORTON. It would be representative for that particular class, considering its setting, but other demonstrations would be required in other geologic settings.

But one must take the first step.

Senator DECONCINI. Sure.

Are there any other technologies that might benefit from the scientific data derived from the in situ copper mining test that you can think of?

Mr. HORTON. The recovery of other minerals.

Senator DECONCINI. Other minerals?

Mr. HORTON. Certainly.

Senator DECONCINI. Is any work being conducted in this field in other countries, do you know?

Mr. HORTON. There is some work going on in Chile at the present time.

Senator DECONCINI. There is? Is that financed by the Chilean Government, do you know?

Mr. HORTON. I don't know, but I can find that out.

Senator DECONCINI. Yes; I would like to know.

Mr. HORTON. I have heard, but I don't recall at the moment.

Senator DECONCINI. Sure.

Mr. HORTON. One gets mixed up in Chile as to what is private and what is government and what is in between.

[The information follows:]

IN SITU MINING IN OTHER COUNTRIES

The Corporacion Nacional del Cobre de Chile is financing in situ work and has been for the past several years. This is a government-owned corporation consisting of mines formerly owned by U.S. companies that were nationalized under the Allende Government.

EPA REPORT ON MINE WASTES

Senator DECONCINI. All right, thank you, Mr. Horton. Thank you, Mr. Chairman.

Senator MCCLURE. Thank you, Senator.

To follow a little further on your effort to coordinate with regulatory agencies in the fields of regulations, EPA has issued the EPA's Report to Congress on Wastes from the Extraction and Beneficiation of Metallic Ores, Phosphate Rock, Asbestos, Overburden from Uranium Mining and Oil Shale.

This report and the subsequent regulations have serious financial implications for the Nation's struggling mining industry.

How closely did the Bureau of Mines work with EPA in the investigation and development of this report?

Mr. HORTON. To my personal knowledge, none at all, and otherwise there may have been some contacts at a lesser level, but quite small.

Senator MCCLURE. Does the Bureau of Mines have any concerns as to the need for this report and subsequent regulations that would be promulgated as a result of the report?

Mr. HORTON. Yes, sir; we have reviewed the report in detail, have—well, within the next few days we will submit our comments to the EPA. We have participated with the EPA in some meetings concerning mine waste studies and are hopeful of establishing a good rapport in continuing reviewing that report and frankly encouraging somewhat additional work before they make their final conclusions.

Senator MCCLURE. I don't mean to go into what may be the final conclusions of that report. If I understand you correctly, that is not yet completed but will be in the next few days, is that correct?

Mr. HORTON. Our comments to them?

Senator MCCLURE. Yes.

Mr. HORTON. It is completed now, and I am just a little unsure on the transmittal, but that is within a day or two.

Senator MCCLURE. Does the Bureau consider any portions of that report to be harmful to the mining industry?

Mr. HORTON. Well, yes, harmful in the sense that we think many areas of the work were incomplete and that the results are not necessarily representative of conditions in the mining industry; that is, the samples that they took at various areas were not adequate to demonstrate either the average problem or specific problems.

Senator MCCLURE. Would you provide a copy of those comments to us when you transmit them to EPA?

Mr. HORTON. Yes, sir.

Senator MCCLURE. Has the Bureau responded to the apparent failure of the report to thoroughly consider existing local, State, and Federal regulations of mining?

Mr. HORTON. You are referring to the EPA?

Senator MCCLURE. Yes.

[Pause.]

Mr. HORTON. I would have to investigate.

Senator MCCLURE. Would you provide a response for the record, please?

Mr. HORTON. Yes, sir.

[The information follows:]

LETTER FROM DAVID S. BROWN

MARCH 31, 1986.

Hon. LEE THOMAS,
Administrator, Environmental Protection Agency,
401 M Street SW, Washington, DC.

DEAR MR. THOMAS: We welcome the opportunity to cooperate with the EPA in the review of the report to Congress on "Wastes from the Extraction and Beneficiation of Metallic Ores, Phosphate Rock, Asbestos, Overburden from Uranium Mining, and Oil Shale." The Bureau of Mines shares EPA's interest in a scientifically and technically sound, comprehensive report that will promote informed decisionmaking.

However, the Bureau believes that the deficiencies in the report are significant and serious. In summary, the report does not: Meet the objectives of the 1976 act, provide sufficient data for a regulatory determination, appropriately designate heap and dump leaching, present proven process modification technologies, distinguish between existing operations and new sources, and address disposal of organics in tailings.

The complex nature of mineral deposits and their extraction and processing technologies make industrywide generalizations and conclusions both difficult and elusive. The mineralogy within ore bodies varies to such an extent that processing methods differ not only between deposits, but often must be modified during the life of a particular mine to maintain optimum production. Mining and milling wastes differ between mines and vary with time. It is difficult to make generalized statements about the effectiveness of a specific modification, whether for environmental protection, improved recovery, or energy conservation. We maintain that any viable regulatory process must be determined with this variability in mind.

The following observations take the form of a number of major points of concern. More detailed discussion of these items is presented in the attachments appended to this letter.

Insufficient data for regulatory determination.—The data base supporting the report is deficient and it does not provide a sound basis for recommending controls for mine wastes. For some mining industry segments only a few test samples were used to characterize major mining industry segments as hazardous. The limited sampling data, sampling inconsistencies, and inadequate statistical procedures cited in the appendices indicate that the field data do not represent the diverse conditions within the mining industry.

The compliance cost data also are deficient. We were unable to evaluate them because they were not presented in sufficient detail. A thorough analysis of the compliance cost components and the sources of cost variation between industries are needed for the development of regulations.

We are encouraged that the data presented in the report does not establish a linkage between mineral waste disposal practices and offsite health and environmental effects. This linkage to offsite effects must be demonstrated as a prerequisite to the imposition of a regulatory program.

Designation of heap and dump leaching as solid waste is inappropriate.—In the report, EPA stated that it regards leaching as a waste disposal system and, therefore, leaching is subject to RCRA regulations. In our view, heap and dump leaching operations are mineral processing systems recovering valuable metals from subgrade ore materials, and as such are subject to the planning and operating provisions of the existing State and Federal regulatory systems. Only the residues resulting from leaching systems, where there is no intent to reuse or recycle, are, in our judgment, truly waste materials subject to EPA solid waste regulations.

We also note that Federal and State regulatory programs are in place to regulate heap and dump leaching operations as mineral processing systems, and to regulate the leach residues as solid waste materials if they become subject to RCRA. Because of the site specific character of leaching operations and of compliance requirements, we suggest that leaching operations remain under the control of State regulatory agencies, with the Federal Government providing guidelines and oversight.

Most process modifications presented in the report are not ready for industry application.—Most of the process modifications noted in the report are based on laboratory or pilot scale studies and are not ready for mineral industry application. It would be imprudent to rely on unproven laboratory concepts when the problems in scaleup and transfer to industry often are most difficult than proving the original concept. In addition to these being unproven technologies, the cost of operating these systems on a large scale has not been established. The process modifications presented in the report also fail to recognize the widely varying ore, waste, and processing conditions both among mine sites and industry segments.

Requirements for existing operations and new sources are not differentiated.—Requirements for abatement and control technologies have not been distinguished between existing and new mining operations. We foresee a need not only for a separate program for abandoned sites, but also for transitional programs for those industry segments using older technologies. Retrofit technology is needed. Although this need is implied in the report, discussion of specific retrofit management techniques, available technologies, and costs are missing. Also missing in the report is guidance on management methods for accumulated wastes in existing operations. Clarification of the nature of the linkage between the management of accumulated waste and the permitting of continuing operations is also needed.

Scope of the report does not satisfy the original objectives.—The report does not meet the original objectives required by RCRA in 1976. The EPA was directed to prepare a detailed and comprehensive report on the adverse effects of solid waste generated by mining. The report is not comprehensive in scope as smelter and refinery wastes have not been evaluated as required in the 1980 amendments to RCRA. We are also concerned that inactive and abandoned mines have not been assessed. The economic impacts of the regulatory program have not been addressed. Among the key items to be addressed in both the 8002(f) and 8002(p) reports were the cost of compliance and economic impact on the minerals industry. We also note that high volume, low-toxicity wastes are not included in the report and are to be analyzed separately. In addition, some mineral industry segments such as phosphate rock, uranium overburden, and oil shale have not been addressed.

Disposal of hazardous organics.—We are concerned that other possible sources of contamination resulting from the commingling of mine waste in tailings are not addressed. This should include a discussion of the potential impacts of disposing of organics such as used oil and waste chemicals in tailing ponds. The EPA has proposed to list such substances as hazardous waste, and under EPA regulations the practice of mixing any hazardous waste with nonhazardous materials renders all of the mixed waste hazardous and subject to full RCRA regulations.

Comments were submitted on March 11, under separate cover, on the commodities information presented as section 2 of the report. Comments from the other task groups are enclosed as attachments numbered 1 through 4. Two discussion papers are included as attachments 5 and 6. These cover the evaluation of field sampling data and the regulation of heap and dump leaching under State and Federal programs.

The Bureau task group on compliance cost will develop procedures for estimating compliance cost and the resulting economic impact of potential mining waste regulations. The methodology will be ready for use in June. We will be pleased to cooperate with you in applying the methodology to update the cost and economic impact information presented in the report.

We stand ready to discuss our concerns about the report further with you.

Sincerely,

DAVID S. BROWN,
for Director.

HAZARDS OF UNDERGROUND MINING

Senator McCLURE. Mr. Horton, I know that every one of us will from time to time look at specific instances and wring our hands and ask questions, and you are aware of the hazards in underground mining——

Mr. HORTON. Yes, sir.

Senator McCLURE [continuing]. More than the average in the country, and I know we will never eliminate all of them but we have to be concerned whenever an accident does occur.

Earlier this month a rock burst in the Lucky Friday Mine in north Idaho killed one miner and injured two others.

We have had research over the past 10 years aimed at providing a quick impact on mine accidents in mine support. The Bureau is now shifting to longer term research of the basic causes of ground failure, and I note from your justification that you make this statement on page 25:

> Although overall injury rates have decreased in recent years, fatalities due to ground control failures in underground coal mines have not shown a downward trend and have averaged 48 percent of all underground coal mine fatalities in the past 5 years.

In the light of this lack of success, the Bureau is still proposing an 8-percent decrease in ground control research for fiscal year 1987.

Two questions: One, why did the research fail to provide a quick impact on mining accidents, as you have indicated in your justification?

And, second, in light of that failure, why are you suggesting a reduction in research?

Mr. HORTON. I believe we have had a substantial impact on injuries. The injury rate in mining at the present time is about equal to the injury rate in all of industry, which is down substantially.

But in roof-fall problems, the rate has not particularly decreased. That has been a concern for both the Bureau and MSHA.

We have developed lots of technology to inhibit roof falls: roof bolting technology, variations on roof bolting, temporary roof supports, steel fibre reinforced concrete cribs, cabs and canopies over equipment. But what is persisting is that miners and more often supervisors go in under unsupported roof and are injured or killed by falls of unsupported roof. The practice is illegal, but nevertheless it happens.

We are concentrating more of our efforts on miner training, having almost exhausted our realm of ideas for controlling roof falls because you can't control roof falls in unsupported areas. You prohibit men from entering such areas. They persist and are injured.

So some of the decrease represents completion of a substantial portion of our equipment work and more attention or enlarged attention to miner training, which is a less expensive phase.

We are not decreasing our efforts in some areas in ground control, particularly in the rock burst problems of the Coeur d'Alene areas and other deep mining areas or in the mountain bump areas, coal mine equivalents of rock burst in the East.

The Lucky Friday Mine that had the accident in December and again in March has a commercial seismic monitoring system installed. They are not sensitive enough or configured to give the early warning that is necessary, and that is not a criticism of the commercial system, but the details of the required system are yet to be worked out.

We have a rather detailed system in ASARCO's Galena Mine in Idaho and have had some success in calling miners out of areas where rock bursts have subsequently occurred. But our level of accuracy is not what we would want, and we are still continuing in hard rock mines and also in coal mines to develop a computer expert interpretation system that can receive the seismic signals, interpret them and, if you will, flash a red light.

Senator McClure. Well, I note in response you indicated that some of the fatalities occur when miners ignore the rules and go into areas where the roof is unsupported. Your justification indicates approximately one-fifth of the roof fall fatalities in underground coal mines come in that classification.

At the same time, nearly one-fourth of the ground control fatalities in the same mines occur from failures of mine roofs that were believed to be adequately and permanently supported.

You have indicated that in the Lucky Friday Mine, for instance, we simply don't have good enough technology to develop the information about ground stress and its relief that causes these deaths, and yet you are reducing the research effort in the very areas which you have identified as being one of the larger reasons for the fatalities.

HAZARD DETECTION AND MONITORING SYSTEMS

Mr. Horton. Though there is a reduction in the ground control work in the hazard detection and monitoring systems I spoke of, we're increasing that work from $2,301,000 to $2,400,000. Roof support systems are down slightly from $1,736,000 to $1,624,000.

Safe installation of supports, in which we're looking at making greater use of robotics for remote installation of supports, is down slightly from $1,650,000 to $1,600,000.

Our greatest reduction in the ground control effort is in waste stability, where we've gone from $680,000 to zero. So the reduction is not so much, or hardly at all, in underground mining but rather in the waste stability area.

Senator McClure. Obviously, I am concerned. And I understand that just throwing money at it isn't necessarily the answer. But it doesn't look like we're just throwing money at it either.

Yet, in spite of the fact that you didn't get a quick impact, we're not seeking to change anything except to go to longer term research.

And that does bother me.

MINERAL INSTITUTES FUNDING

Once again, you have not proposed funding for the 31 mineral institutes, yet, in project 2000, you stated that the Bureau will continue to coordinate these institutes which encourage mineral research and education.

Project 2000 puts such a high priority on the Mineral Institutes Program, and yet your justification states that Federal funding for these grants does not have the priority that it had a decade ago.

Since you have indicated that you included that in your request to OMB and the passback eliminated it, shouldn't project 2000 really read:

The Bureau will continue to coordinate if Congress provides the funds?

Mr. HORTON. I will accept that correction, Mr. Chairman. We do work additionally with the universities outside the mineral institutes. I'm sure you understand.

Senator McCLURE. Yes; I do indeed. And I also understand the frustration that OMB has in trying to come to grips with budget deficits.

I guess I could express my own opinion without asking you to. I see budgets continue to expand in social welfare and income maintenance, but at the same time, we do almost nothing to keep people employed in basic industries.

That doesn't strike me as being a good assignment for the expenditure of public funds.

FUNDING PROPOSED FOR IDAHO NATIONAL ENGINEERING LABORATORY

You have again proposed to cancel the contracted research at the Idaho National Engineering Laboratory [INEL]. This research is valued at $35 million over 5 years and is designed to help reduce our import dependence.

In response to a question at last year's hearing, you testified that for national security reasons and because of our trade deficit, this was an inopportune time to cancel the research.

In addition, you also stated that a fair amount of the INEL work has involved the purchase of rather expensive pieces of equipment.

Are we less dependent today than we were?

Is national security less affected today than it was 1 year ago in critical materials?

Mr. HORTON. No, sir.

Senator McCLURE. If those two parameters are the same and expensive equipment has been purchased, why would we then this year propose to cancel the research?

Mr. HORTON. I can do nothing but call your attention to the budget deficit. And as I noted previously, my desire to maintain a minimum inhouse capability in the Bureau of Mines.

Senator McCLURE. If this research is canceled, what are you proposing to do with the equipment that was purchased last year?

Mr. HORTON. The equipment would return to the Bureau.

Senator MCCLURE. And what will we do with it then? Store it somewhere?

Mr. HORTON. That which can be utilized will be utilized, but they have some very special equipment, my answer would have to be yes, Senator for some of the equipment.

SPOKANE FIELD OPERATIONS CENTER

Senator MCCLURE. As you know, the position of chief of the Western Field Operations Center in Spokane has been vacant for a few months.

Could you tell me the status of this position and the process the Bureau has gone through in filling the position?

Mr. HORTON. Yes, sir; we advertised sometime ago for applicants and received 185 applications. We interviewed 25 people, and then subsequently interviewed another 6 and made a recommendation to the Assistant Secretary's Office.

He asked that we readvertise, which we have done. The period for receiving applications closed this week, and we'll be reviewing the applications again.

It's not an activity of which I'm unduly proud. We're most anxious to fill that job with a well-qualified mining type. And there are many of them available today.

But, process and procedure, I'm afraid, have gotten in our way.

Senator MCCLURE. Did the Assistant Secretary turn down—ask you to readvertise because he was dissatisfied with the recommendation?

Mr. HORTON. Yes.

Senator MCCLURE. Was that person recommended by the selection committee?

Mr. HORTON. Yes; the selection committee recommends several and then a final selection is made.

Senator MCCLURE. But it was one of the several recommended by the selection committee?

Mr. HORTON. Yes.

Senator MCCLURE. Has the mining industry had any input in the selection process?

Mr. HORTON. Well, we've received—I personally have received some letters and phone calls in support of various individuals. Beyond that, there's really no opportunity for active participation by the mining industry.

Senator MCCLURE. Well, as you know, that particular position is important to a large segment of the Northwestern mining industry. And I have personal interest in it as well. I would hope you can get that done.

Is there anything I can do to help? Shall I—I guess, obviously, I can talk to the Secretary and, hopefully, find an Assistant Secretary I can talk to at some time?

Mr. HORTON. Well, the Assistant Secretary that made the decision is now running an airport in Las Vegas, NV.

Senator McClure. I understand that. That's why I suggest that maybe sometime we'll find an Assistant Secretary to talk to.

Mr. Horton. I don't believe that any action is required on your part, Mr. Chairman, at this time.

Senator McClure. Well, you indicated that——

Mr. Horton. If a problem arises, I'll certainly discuss it with you.

Senator McClure. You seem to indicate that the process had gotten away from you. You're more involved in the process than in filling the position.

Do I characterize that correctly?

Mr. Horton. That was part of the problem for a while, yes, sir. That has, I believe, been solved. We have the applications closed this week. We have a new list of applicants. We'll proceed with undue haste to get that position filled.

We are much more anxious than you to fill that position, no matter how anxious you are, to fill that in the very near future.

Senator McClure. Well, I think it is important. And now is a good time to get good, qualified people because there's an awful lot of them available in the private sector.

Mr. Horton. Indeed.

Senator McClure. We should be able to find a very highly qualified person who, because of economic conditions, would be available at this time, who otherwise wouldn't be.

Unfortunately, that's a fact of life out there in that part of the industry.

ADDITIONAL COMMITTEE QUESTIONS

Mr. Horton, I appreciate your testimony today. I'll have some additional questions for sufficient, and response in writing for the record. I suspect other members of the committee will also. They'll have until close of business on Monday next to submit those questions for your response for the record.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

NOISE CONTROL

Question: Your justification establishes a new program element called Physical and Chemical Agents to replace Noise Control. Proposed funding for fiscal year 1987 is 939 thousand dollars, or a decrease of 20 percent. To meet this decrease, you are proposing to conclude work designing retrofit noise control techniques for existing equipment and the Bureau will be focusing on new concepts to reduce miners' exposure. Is the retrofit work you are proposing to conclude, being brought to an orderly conclusion?

Answer: All Noise Control retrofit work is being brought to an orderly conclusion. Techniques and technologies developed for quieting mining machinery will be provided to the industry through various technology transfer vehicles such as industry briefings, presentations at meetings and publications.

Question: Has this research been transferred to industry, and has industry responded positively?

Answer: Industry is not doing noise control research. However, they are picking up on the results of prior Bureau research. For example:

Mining Machinery Noise Control Guidelines - The Bureau recently published a handbook entitled "Mining Machinery Noise Control Guidelines." This one source document covers the "state-of-the-art" in noise control techniques for all major mining equipment that are noise problems and includes references to the most applicable case histories, technical reports and commercially available noise control products. It is having a major impact on the industry. Industry has been sent about 1,200 copies; MSHA ordered 2,200 copies for distribution to inspectors, district and subdistrict personnel and NIOSH also requested 200 copies for their noise control efforts. This document was used by MSHA as the basis of their currently proposed noise control policy for coal mines.

Percussion Drills - Percussion drills represent the most serious widespread noise overexposure problem in mining. Through intensive research, the Bureau redesigned the basic percussion drill to incorporate noise controls without affecting drilling performance or increasing weight. These new drills provide about a 10 dBA to 15 dBA noise reduction and are competitively priced. They are commercially available from Tech Enterprises, Denver, CO.

Front-End-Loader Noise Control - Front-End-Loader (FEL) operator noise overexposures is a widespread noise overexposure hazard for surface mobile equipment operators. The Bureau developed retrofitable noise control technologies that were cost effective and provided 5 dBA to 13 dBA noise reduction. This technology has had widespread acceptance in industry.

Load Haul Dump (LHD) New Design - Load-Haul-Dumps present a serious noise overexposure problem. The Bureau developed noise controls for new equipment were incorporated into selected models of Eimco Load-Haul-Dumps.

Drum Type Continuous Miners Noise Control - Continuous miner coal cutting noise poses a health hazard to underground operators. The Bureau designed a continuous miner cutting head that results in 3 dBA to 9 dBA noise reduction; this design has been extensively evaluated in one underground coal mine. The reduced noise cutting drum is now available to the industry through rebuild shops.

Bulldozer Noise Control - Bulldozer operator noise overexposure is a widespread noise hazard for surface mobile equipment operators. The Bureau developed retrofitable noise control technologies that were cost effective and provided 10 dBA to 15 dBA noise reduction. This technology has been intensively used by the industry. Also, MSHA initiated a program to encourage coal mine operators to apply this bulldozer noise control retrofit technology.

Auger Miner Noise Controls - Noise surveys taken in low seam mines show a noise exposure problem for crew members and operators of auger miners. The Bureau developed noise controls for the major noise source for auger miners, the cutting head, which provides up to 10 dBA noise reduction. Fairchild, the major supplier of auger miners, has incorporated these noise controls into their new equipment. In addition, these noise controls are available through rebuild shops.

New Mantrip Design for Noise Control - Mantrips can add substantial noise exposures to large numbers of miners as they travel into and out of mines. The Bureau developed noise controls for mantrips that were tested underground, where a 7 dBA reduction in passenger noise levels was verified. These noise controls are now offered as an option on mantrip models manufactured by FMC Corporation.

Question: Can you expand a little on the noise program the Bureau is proposing in fiscal year 1987?

Answer: With emphasis upon the use of hearing protective devices (HPDs) as an adjunct to an adequate hearing conservation program in industry, it has become increasingly important to develop a simplified method of evaluating the performance of hearing protective devices worn by miners in the field. The major thrust will be basic studies into the actual protection afforded the working miner by HPDs. Basic parameters effecting the acoustic performance of HPDs will be investigated. Laboratory methods of investigation providing significant control of these parameters will predict the attenuation of hearing protectors using standard industrial methods of measurement. The concept of protection provided by HPDs will be considered as a method of measuring the level of noise entering the ear of the miner with a specified external noise level being attenuated by an HPD.

In-mine validation of the recently designed noise controlled longwall cutting head will be initiated in a second underground coal mine located in the west. The first tests, performed in an underground coal mine in Appalachia, indicated a noise reduction of 5 to 6 dBA while maintaining the same level of productivity as conventional heads.

GROUND CONTROL

Question: While overall injury rates in mines have decreased in recent years, fatalities due to ground failures in underground coal mines have not shown a downward trend. In fact, earlier this month an underground rock burst at the Lucky Friday mine in North Idaho killed one miner and injured two others. Research over the past decade was aimed at providing a quick impact on mine accidents. The Bureau is now shifting to longer term research of the basic causes of ground failure. In light of this lack of success, the Bureau is still proposing an 8 percent decrease in ground control research for fiscal year 1987. Why did the "quick fix" research the Bureau performed over the past decade not provide any measurable decrease in injuries?

Answer: In the past, the Bureau invested a substantial amount of research funds in the development of ground control equipment and roof support systems, such as inorganic cement roof bolt systems, pumpable roof bolt systems, fiber-reinforced concrete crib systems, packwall systems, automated temporary roof support systems, mobile roof support systems, flexible drills and roof bolt benders for longer-than-seam-height drilling and bolting, remotely controlled roof bolting machines, and mechanized roof rock scaler. These innovative systems, though demonstrated by Bureau research as effective tools to reduce ground control related accidents, require additional efforts in commercial development and adaptation to receive mine operators' acceptance for routine applications. Commercialization of research products is of interest to the Bureau, but is beyond the Bureau's research function. It takes a dynamic equipment manufacturing industry to extend Bureau research into commercial markets, and it takes a healthy minerals industry to provide and support the markets. The general economic depression experienced by the coal and other minerals industries in the United States during the past decade has not been very supportive to this need. Realization of accident reduction and decrease in injuries and fatalities requires combined vigilance of government, industry and miners at work; and Bureau research alone would not provide a "quick fix" as desired.

Question: Does it take ten years for Bureau research to be implemented by industry?

Answer: Short of regulatory enforcement, it is not unusual to take 10 or more years for most types of research products to be implemented by industry. Bureau research is no exception. For example, the Bureau's microseismic rockburst monitoring equipment and techniques developed in the early 1970s have just begun to receive wide acceptance in burst-prone coal and metal mines in the United States and abroad. The inorganic cement roof bolt cartridge system developed in the mid-1970s has recently been commercialized in Europe, but we have yet to see its market development in the U.S. The automated temporary roof support (ATRS) system, retrofittable to conventional roof bolters, saw a quick adoption by coal mines in the Appalachia due to regulatory requirements of the State of West Virginia and regulatory consideration by the Mine Safety and Health Administration (MSHA), Department of Labor. The fiber reinforced concrete cribs and packwall systems developed in the late 1970s, have seen their practical use over the past few years in underground coal mines with heavy ground pressures; and the longer-than-seam-height roof bolting machine for lowcoal mines, developed in the early 1980s shows a promise of commercialization in the near future.

Question: Since this is a continuing problem, how do you justify an 8 percent decrease in funding? Is longer term research less expensive?

Answer: The decrease will eliminate mine waste stability research from the ground control research program. The ongoing efforts under this research subelement are scheduled for orderly conclusion in FY 1986. Future needs for mine waste stability research will be consolidated and addressed by the solid wastes research program under the Mining Technology Subactivity. The remaining $8.1 million for ground control research will be expanded to better understand ground failure mechanics, and ground failure prediction and prevention. The current Bureau research strategy is to emphasize longer term basic research of national interest, leaving most short-term research efforts needed for developing particular solutions to local or regional problems for the industry. The proposed budget decrease would not hamper the progress of the Bureau's basic ground control research. The decrease does not mean that longer term research is less expensive than other types of research.

MINE DISASTER

Question: In your justification, you give research in Mine Disaster Prevention a high priority because of recent mine disasters, especially the 1984 Wilberg Mine Fire in Utah. Yet, you are requesting a funding decrease in excess of 50 percent. How can this be a high priority for the Bureau when you are requesting such a large decrease?

Answer: Research in Mine Disaster Prevention continues to be of high priority. The potential of a disaster-causing event (fires, explosions, and inundations which can take a significant toll in lives) is still present. However, research into ground control problems and accidents caused by industrial hazards are of even higher priority, and these areas require extensive funding.

Question: Can you explain this funding level? Have contracts been concluded or in-house research completed?

Answer: The Mine Disaster Prevention program will continue to address measures to preclude future mine disasters. There have been no contracts concluded or in-house research completed because this program began a year ago and the expected time for research goals to be reached is in the order of five years.

Question: For the record, please provide the fiscal year 1987 funding levels for the fiscal year 1986 program elements in Safety Hazard Reduction if the Mine Disaster Prevention element had not been established.

Answer: The fiscal year 1987 funding levels in terms of fiscal year 1986 program elements in Safety Hazard Reduction are as follows:

Ground Control	$8,059,000
Industrial Hazards	6,357,000
Fire and Explosion Prevention*	2,644,000
Methane Control*	124,000
Postdisaster *	124,000
Explosives	1,436,000
Systems Engineering	2,022,000
Total	$20,766,000

*Included in FY 1987 Mine Disaster Prevention element.

IN-SITU COPPER MINING PILOT DEMONSTRATION

Question: In fiscal year 1986, Congress added 1 million dollars for design/engineering of an in-situ copper mining pilot demonstration. Your fiscal year 1987 justification indicates that the initial phase of design and engineering will be completed in FY 1986 and, upon completion, information on the feasibility of an operation will be turned over to industry. What do you mean by stating that the initial phase will be completed? How many phases are there?

Answer: With the lateness of the FY 1986 appropriation, it was not possible to complete the requirements of a procurement award for the entire directed design/engineering study during the year; therefore, it was decided to have the contract address the study in two phases. The first phase would be for the preparation of a generic model for an in situ copper mining pilot demonstration, while the second phase would address the site specific design/engineering using the criteria established in phase one. The FY 1986 funding will cover both phases.

Question: What are the Bureau's plans in this area in FY87?

Answer: The Bureau will continue to provide in house technical and administrative support of the contract activities associated with the FY 1986 contract award for the design/engineering of an in situ copper mining pilot demonstration. In addition, as stated in the Budget Justification, the Bureau is continuing investigation of the technological gaps that inhibit the implementation of this technology by the industry. Specifically, we are continuing our fundamental investigations to better understand the flow of fluids within rock and to determine the chemical reactions occurring between the leach solutions and the minerals contained in the deposits.

Question: If Congress determined that a demonstration mine was necessary, specifically, what location or locations would the Bureau recommend?

Answer: At this time, pending the results from the initial phase of the contract study for the design/engineering, it is not technically appropriate to make a specific site recommendation other than it is expected that the site would be in the general Casa Grande area as specified by Congress.

Question: Can a demonstration be as successful at one location as opposed to several locations?

Answer: Success of an in situ copper mining operation is highly dependent upon many site characteristics. The objective of the initial phase of the contract study for the design/engineering for an in situ mining demonstration is to provide data so that a specific site having a high probability for a successful demonstration can be selected.

PROOF OF CONCEPT VALIDATION

Question: Last year, Congress added 1 million dollars for proof of concept validation to complete surface and underground evaluations of selected coal mining technologies on which the government had spent $25 million. At the end of fiscal year 1985, of the original 258 contracts that involved this type of work, only 10 remained. This year's justification, however, seems to indicate that of the remaining 10 contracts, only a selected few will be complete. Congress felt that 100 thousand dollars per contract would be enough to complete proof of concept validation. Did Congress misunderstand the requirements? If 100 thousand is enough, why isn't the work being completed or is the justification misleading?

Answer: At the beginning of FY 1986, the Bureau estimated that it would require three million dollars to complete validation of all ten concepts. Thus, with the funding of one million dollars provided by Congress in FY 1986, work on about three concepts can be completed.

ACID MINE DRAINAGE

Question: In the fiscal year 1986 Continuing Resolution, Congress added 1 million dollars for the acceleration of efforts in the acid mine drainage. This year's justification indicates that this accelerated research will be completed and resolve industry concerns on control techniques. Your justification also indicates that acid drainage water is the most significant water pollutant and, despite recent unique contributions from research, there is not a complete solution for this problem. In light the lack of success in this area, how can you justify a decrease of over 60 percent?

Answer: Nearly all of the 60 percent decrease in acid mine drainage research represents elimination of the funding added to this program by the Congress in FY 1986. This increase was used to accelerate research efforts that concentrated on fundamental investigations of the controlling mechanisms for the in-line aeration system and the use of wetlands for the treatment and control of acid mine drainage. In fiscal year 1987 the program will continue at a reasonable level of research activity to address acid mine drainage issues in balance with other environmental research concerns such as subsidence and mine waste issues.

Question: Since acid mine drainage treatment, control, and abatement cost approximately, $350 million a year, why isn't accelerated research justified?

Answer: Solutions to the acid mine drainage problem require methodical research including verification of new technologies over an extended period of time. Additional funding cannot speed up the time required to verify that a control technique, such as using wetlands to treat and control acid mine drainage, will be effective for the long term. Based on this, the Bureau considers the budget request appropriate to address the issue in FY 1987.

Question: What were the problems industry was having in control techniques and how did the Bureau solve them?

Answer: Conventional technology for the control of acid mine drainage is usually limited to water treatment, which costs the mining industry over a million dollars a day. The Bureau has taken two approaches to this problem:

1. For low flow situations, constructed wetlands seem to offer a low-cost, low-maintenance alternative. Major unresolved questions with this new technique include:

   How long will a constructed wetland treatment system remain effective?

   Can such a system be combined with traditional water treatment systems when the iron concentrations are greater than 100 mg/L?

   Can such a system be engineered to handle higher flow rates and still be effective?

   Research to answer these questions, as well as other more fundamental questions on the use of wetlands for treatment of acidic drainage are being addressed in FY 1986, and will be continued in future years' research efforts.

2. For higher flow situations, the in-line aeration and neutralization system (ILS) seems to offer a low-cost alternative. This treatment concept can be constructed for about $10,000, and used in place of more traditional water treatment systems that cost about $1,000,000 to build and several thousands of dollars a year to operate and maintain. The ILS can treat water faster, using less chemical reagents, and with no moving parts with a much lower maintenance cost than conventional systems.

   Research is currently underway to determine the reaction mechanism and reaction rates that control the effectiveness of the ILS. This research will allow the application of the ILS to a wider range of water conditions. Currently there is a limitation on ferrous iron concentration of a maximum of 350 mg/L that can be effectively treated with the ILS.

Laboratory and field tests are being conducted in FY 1986 to resolve these issues concerning the ILS.

MINERAL INSTITUTES

Question: Since the Geological Survey has included funding for their Water Institutes program, have you taken a look at their program and attempted to modify the Mineral Institutes program in an effort to get the program through the Department or OMB?

Answer: The delegate of the Director of the Department of the Interior's U.S. Geological Survey is a member of the Advisory Committee on Mining Research, which Committee consults with and makes recommendations to the Secretary with regard to this program. Consequently, the Department and the Bureau have the benefit of the experience of the USGS with regard to their Water Institutes program.

Question: Please discuss the benefits of the work done by the Mineral Institutes and the FY 87 budget history of this important program?

Answer: A description of current activities and the benefits of the Mineral Institutes program is included in the January 1986 Report of the Advisory Committee on Mining and Mineral Research, which was forwarded to the President and to Congress on February 28, 1986. A copy of the report is enclosed. The purpose of the Mineral Institutes program was to encourage selected State colleges and universities to develop mineral-related, Government-industry-university research and graduate education programs. The States have responded with such enthusiasm that the majority of the support at these schools comes from nonfederal sources. Consequently, this program now has low Federal priority and no further funding is requested.

REPORT OF THE ADVISORY COMMITTEE ON MINING AND MINERAL RESEARCH

IMPROVING RESEARCH AND EDUCATION IN MINERAL SCIENCE AND TECHNOLOGY THROUGH GOVERNMENT (FEDERAL, STATE AND LOCAL), INDUSTRY AND UNIVERSITY COOPERATION

FEB 14 1986

Honorable Donald Paul Hodel
Secretary of the Interior
Washington, D.C. 20240

Dear Mr. Secretary:

It is my pleasure, in my capacity as co-chairman of the Committee on Mining and Mineral Resources Research, to transmit for your consideration the Committee's first report.

Public Law 98-409, enacted August 29, 1984, established a State Mining and Mineral Resources Research Institute program, among other things. Section 9(a) of the Act required the Secretary of the Interior to appoint a Committee on Mining and Mineral Resources Research. (A previous incarnation of this Committee had been created by Title III of the Surface Mining Control and Reclamation Act of 1977; however, the present Committee structure conforms to PL 98-409 both as to makeup and purpose, including submission of the enclosed report.) The mandate of the Committee is to:

(a) ". . . consult with, and make recommendations to, the Secretary of the Interior on all matters relating to mining and mineral resources research and the determinations that are required to be made under the Act."

(b) ". . . develop a national plan for research in mining and mineral resources, considering ongoing efforts in the universities, the Federal Government, and the private sector, and to formulate and recommend a program to implement the plan utilizing resources provided for under the Act."

The statute specifies that the Committee comprise (1) the Assistant Secretary of the Interior responsible for minerals and mining research, or his delegate; (2) the Director, Bureau of Mines, or his delegate; (3) the Director, United States Geological Survey, or his delegate; (4) the Director of the National Science Foundation, or his delegate; (5) the President, National Academy of Sciences, or his delegate; (6) the President, National Academy of Engineering, or his delegate; and (7) not more than six other persons who are knowledgeable in the fields of mining and mineral resources research, including two university administrators involved in the conduct of programs authorized by section 301 of the Surface Mining Control and Reclamation Act of 1977, two representatives from the mining industry, a working miner, and a representative from the conservation community.

One result of this statutorily prescribed composition is that several Committee members, those members representing the Administration, are charged to consider simultaneously the concerns of the mining and minerals research communities and the policies of this Administration--in some respects a challenging charge.

For example, in recommendation number four, the Committee acknowledges ". . . the commitment of this Administration to control spending and to regain fiscal integrity . . ." but goes on to recommend continued Federal funding for the minerals institutes. My role as an Administration official compels me to reaffirm my support for the Administration position that additional Federal funding for the minerals institutes would be an inappropriate use of Federal funds. I believe I speak for all Administration members of the Committee in that declaration.

I endorse the concept of the minerals institutes, and I applaud their accomplishments to date. Nevertheless, the urgent national need for fiscal restraint dictates that the institutes should operate with support from sources other than the Federal Government.

Sincerely,

Robert N. Broadbent

Robert N. Broadbent
Co-chairman, Committee on Mining
and Mineral Resources Research

February 28, 1986

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Title III of the Surface Mining Reclamation and Control Act of 1977 (Public Law 95-87) and the State Mining and Mineral Resources Research Institute Program Act (Public Law 98-409) authorize a program for funding State mining and mineral research institutes through the Department of the Interior. Public Law 98-409 also requires that the Advisory Committee on Mining and Mineral Research prepare for submission to you and to the Congress an annual National Plan for Research in Mining and Mineral Resources. The first such report is enclosed.

As you stated when you signed the reauthorization legislation for this program, "the mineral institute program is no longer an appropriate use of Federal funds, given changes in the mineral industry since the program's inception in 1977 that have reduced the demand for technical personnel." I support that position, as does Assistant Secretary Broadbent, who by statute is a member of the Advisory Committee on Mining and Mineral Research. I have enclosed a copy of his letter transmitting the report to me. In it he also clarifies the position of Administration members of the Advisory Committee.

Respectfully,

Donald Paul Hodel

DONALD PAUL HODEL

February 28, 1986

Honorable George Bush
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

Title III of the Surface Mining Reclamation and Control Act of 1977 (Public Law 95-87) and the State Mining and Mineral Resources Research Institute Program Act (Public Law 98-409) authorize a program for funding State mining and mineral research institutes through the Department of the Interior. Public Law 98-409 also requires that the Advisory Committee on Mining and Mineral Research prepare for submission to the Congress and to the President an annual National Plan for Research in Mining and Mineral Resources. The first such report is enclosed.

As the President stated when he signed the reauthorization legislation for this program, "the mineral institute program is no longer an appropriate use of Federal funds, given changes in the mineral industry since the program's inception in 1977 that have reduced the demand for technical personnel." I fully support the President's position.

A copy of this report is being sent simultaneously to Honorable Thomas P. O'Neill, Jr., Speaker of the House of Representatives, Washington, D.C.

Sincerely,

Donald Paul Hodel

DONALD PAUL HODEL

February 28, 1986

Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Title III of the Surface Mining Reclamation and Control Act of 1977 (Public Law 95-87) and the State Mining and Mineral Resources Research Institute Program Act (Public Law 98-409) authorize a program for funding State mining and mineral research institutes through the Department of the Interior. Public Law 98-409 also requires that the Advisory Committee on Mining and Mineral Research prepare for submission to the Congress and to the President an annual National Plan for Research in Mining and Mineral Resources. The first such report is enclosed.

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A copy of this report is being sent simultaneously to Honorable George Bush, President of the Senate, Washington, D.C.

Sincerely,

Donald Paul Hodel

DONALD PAUL HODEL

NATIONAL PLAN FOR RESEARCH IN MINING & MINERAL RESOURCES

BY

THE ADVISORY COMMITTEE ON MINING & MINERAL RESEARCH

PURSUANT TO PARAGRAPH 9(e) OF PUBLIC LAW 98-409

In 1984, U.S. imports of mineral fuels and mineral-based materials involved a dollar outflow of over $ 90 billion ($57 billion for petroleum and $34 billion for nonfuel minerals). Further, the U.S. currently depends upon imports for more than half of its supplies of more than two dozen highly important strategic and critical materials. This monetary drain must be viewed against a backdrop of financially-ailing domestic mining and minerals and metals producing industries ("mineral resources industries"). Many once important companies in these industries are seriously depressed, are losing money, and are particularly vulnerable to low-cost foreign production.

If the Nation is to give appropriate attention to national security and the national weal, we must accept the fact that weak domestic minerals resource industries will result in an increasing dependence upon foreign sources for supplies of strategic and critical minerals and fuels. This in a Nation of greatness and unparalleled opportunity.

At stake is the strength of the United States' extractive and manufacturing industries and the growth of the U.S. economy. Historically, our mineral resources industries, when faced with overseas competition, have reacted by bringing into play a strong technological base by which new mining and manufacturing methods were developed, thus reducing costs and permitting the industries to meet the competition. Because of their current fiscal condition, major segments of the U.S. mineral resource industries are incapable of funding the research and development necessary to maintain a strong, technological base with the quality, diversity and continuity in performance required to develop new technology or to utilize competitive technology that may appear elsewhere. The United States Government should ensure that mining and mineral research is adequate for the development of a competitive technological base for domestic mineral resources industries. Absent an adequate program of research and development on which a competitive technological base for these industries can be sustained, this portion of the industrial base of the United States of America will continue to deteriorate and imports of strategic and critical materials will continue to grow. This is what can ensue: the national security will be in jeopardy, the strength of the manufacturing and extractive industries will further weaken, and the balance-of-payments deficit will continue to grow.

THE PLAN:

The United States Government should assist in improving and advancing the technological base of the United States minerals resources industries through the education of a specialized population appropriate to this goal, and the performance of appropriate research and development in coordinated programs and, where appropriate, jointly by government, academia and industry. Much industrial research involves evolutionary development aimed at short-term survival of the enterprise, but evolutionary development is not sufficient to maintain a competitive technological base. Research which can lead to revolutionary changes in the technology is required. It is essential that the several branches of the Federal Government which support research and development have programs that relate, in a balanced way, to the advancement of the scientific and technological base of the mineral resources industry. We refer specifically to the Departments of Interior, Energy, Defense, Commerce and the National Science Foundation.

The overall level of supportive research related to mining and mineral and metals production in these agencies should provide quality, diversity and continuity, consistent with the mission of each agency. By careful management and coordination, new programs should be initiated and older ones eliminated in response to technological changes. The related research supported by these agencies should include programs of good quality, on a competitive basis, in the universities having qualified programs and joint industry-university-government (State and Federal) partnerships in research and development. We endorse the concept of the Mining and Minerals Resource Research Institute Program of the Department of the Interior.

RECOMMENDATIONS:

1. It is recommended that the plan as outlined above be adopted as the national plan for research related to mineral resources and mineral resources industries, with due consideration to the ongoing efforts in the universities, the Federal Government and the private sector.

2. It is recommended that the Federal Government continue to support the central roles of: the National Science Foundation for basic and engineering research, the United States Geological Survey in performing geologic and cartographic studies, and the Bureau of Mines for research in mining, mineral and metals processing and extraction, miner health and safety and related fields.

3. It is recommended that the related programs in the Federal agencies, particularly the National Science Foundation and the Departments of Interior, Energy, Defense, and Commerce be carefully coordinated to assure that areas of research which are of critical importance to the strength of the on-going technological base of minerals resources related industry receive adequate support. It is the consensus of this Committee that the existing programs of research which are supported by the Federal Government appear to have a reasonable balance.

4. This Committee recognizes the commitment of this Administration to control spending and to regain fiscal integrity. At the same time it believes that there is room in any budget to provide for the concentration of federal resources for essential programs. The Mining and Mineral Resources Research Institute Program, as authorized under Title III of Public Law 95-87, including the Generic Mineral Technology Centers, is considered to be an essential program.

5. Therefore, it is recommended that the research funded under this program be open to participating universities on a competitive basis to ensure its diversity, quality and productivity. Support for the generic mineral technology centers should be given the highest priority.

6. It is recommended that plans for this program be formulated and presented in advance of the annual Congressional appropriations so that such plans may be administered effectively.

Robert N. Broadbent
Robert N. Broadbent, Cochairman

Joseph N. Crowley
Joseph N. Crowley

Edward S. Frohling

Walter R. Hibbard
Walter R. Hibbard

Marshall M. Lih

Don L Warner
Don L. Warner

Hugh C Garner
Hugh C. Garner, Cochairman

John F. Elliott*
John F. Elliott

Bruce B Hanshaw
Bruce B. Hanshaw

Orme Lewis, Jr.

John D. Morgan
John D. Morgan

Brief biographical statements are included in Appendix A.

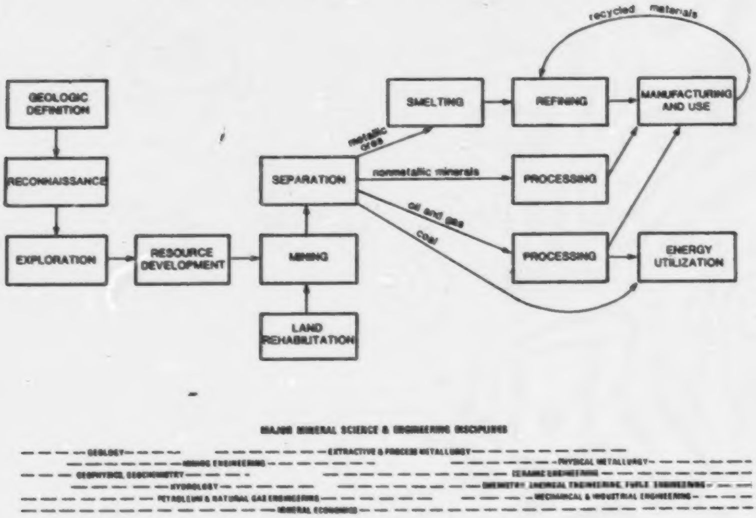
*I do not agree with Recommendations 2 and 5. It is my opinion that the existing programs of research that are supported by the Federal Government do not have a balance in terms of the long-term need for a strong and competitive technological base for the domestic mining and minerals related industries. With this in mind, I also am of the opinion that Recommendation 5 should read, "It is recommended that research funded under this program (MMRRI) should be allocated more broadly among the participating universities on a competitive basis with assurance of diversity, quality, and productivity."

ADDENDUM

It is essential at the outset to define the area of "Mining and Mineral Resources" emphasized in this initial report. Figure 1 diagrams the major segments of the mineral sector and also the major academic mineral science and engineering disciplines normally considered most relevant to these segments. In one way or another, institutions of higher learning in the United States, numerous departments and agencies of the Federal Government, and State and local governments, are involved with these segments and disciplines, as are innumerable small, medium, and large elements of the private sector. The Committee has chosen to emphasize observations and recommendations related to the central portion of the mineral sector of the economy.

Figure 1

THE MINERAL SECTOR OF THE ECONOMY


recycled materials
GEOLOGIC DEFINITION
RECONNAISSANCE
EXPLORATION
RESOURCE DEVELOPMENT
MINING
LAND REHABILITATION
SEPARATION
metallic ores
nonmetallic minerals
oil and gas
coal
SMELTING
REFINING
MANUFACTURING AND USE
PROCESSING
PROCESSING
ENERGY UTILIZATION
MAJOR MINERAL SCIENCE & ENGINEERING DISCIPLINES
GEOLOGY
EXTRACTIVE & PROCESS METALLURGY
MINING ENGINEERING
PHYSICAL METALLURGY
GEOPHYSICS, GEOCHEMISTRY
CERAMIC ENGINEERING
HYDROLOGY
CHEMISTRY, CHEMICAL ENGINEERING, FUELS ENGINEERING
PETROLEUM & NATURAL GAS ENGINEERING
MECHANICAL & INDUSTRIAL ENGINEERING
MINERAL ECONOMICS

The Mineral Institutes program, through its allotment grants, covers all phases of the mineral economic sector including the geological, materials development, and energy utilization interfaces. Research support is already substantial in the areas of earth sciences, materials development, and energy utilization. More than 170 U.S. universities grant doctor's degrees in geology, geochemistry, geophysics, and geobotany. Federal academic support for research in the earth sciences is to a significant degree centered in the National Science Foundation while the U.S. Geological Survey is responsible for Federal studies related to physical and geologic resources. The Committee likewise wishes to bypass the broad area of materials development, which receives extensive Federal support by the Department of Defense, the Department of Commerce, and the National Science Foundation, and energy utilization supported by the Department of Energy and private sources. Materials development and energy utilization are also areas in which the ingenuity of the private sector in developing commercial applications is clearly obvious.

Mining, petroleum and natural gas engineering, and extractive process metallurgy are world wide sciences and technologies. Any new development can be rapidly communicated round-the-world through publication in professional journals, site visits, and the activities of scientific and technical societies. Likewise, mineral products move relatively freely in world trade: bulk materials can be shipped for as little at $10 a ton or ½ cent per pound between deep-water ports. The President in his February 1985 Economic Report to the Congress stated: "Our goal is a system of free and fair trade in goods, services, and capital."

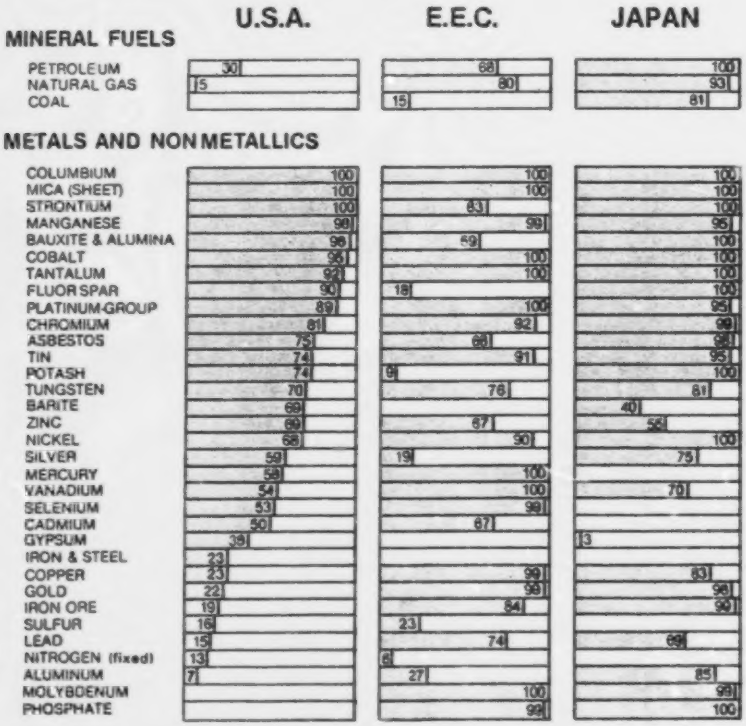
Accordingly, the mineral sector of the U.S. economy is operating to a great extent in an international environment. This being the case, what then should be the essential elements of "a national plan for research in mining and mineral resources"? Such a plan must provide for meeting three clearly defined national needs:

1. National Security

The United States must have continual concern for the adequacy of supplies of strategic and critical materials in times of defense emergencies. Our consideration must include not just our own requirements, but also those of allied nations, particularly in situations where co-production or off-set production of military materiel is a part of surge or mobilization planning. The United States and its allies are dependent in peacetime on imports of many important mineral materials as detailed in Figure 2. In some cases, where deposits are extremely lean or nonexistant, a stockpile is the most effective means of preparing for an emergency. However in numerous cases, the development of technology for handling low-grade mineral deposits, for recycling, or for working presently unutilized waste streams in mineral processing plants is needed.

Figure 2

NET IMPORT RELIANCE: The U. S. depends upon imports for many important minerals, including some not on the current stockpile list. Allied nations are even more dependent upon imports.



Oct.'85

2. Health, Safety and Environmental Concerns

Mining Safety and Health Administration (MSHA) and the Office of Surface Mining rules provide an incentive to develop innovative technology. Individual mining firms are frequently not in position to fund research into health, safety, or environmentally-sound practices. The development of improved practices clearly produces a public good as well as aiding the mining firm in meeting regulations. Improved technology in these areas is clearly needed.

3. Economic Development

The founding of the land-grant universities was itself an act to improve the living standard through the distribution of advanced learning to a broad segment of the population. Given the fundamental role of mining (and agriculture) in providing the materials needed in production, the development of the Nation's resources has been a clear priority from the earliest days of the Republic. The minerals and metals producing industry of the Nation is beset by many problems, and an uncompetitive scientific and technological base is but one of them. It is hoped that solutions can be found for most of the other problems in the decade ahead; however, even if these other problems can be solved, the failure to develop an internationally competitive technological base for the industry will increase import dependence and vulnerability of the country to restrictive changes in supply from outside sources.

Role of Federal Agencies

In support of that priority, continuation of research performed by the country's leading mineral agencies is a must: the U.S. Geological Survey, established in 1879, and the Bureau of Mines, established in 1910. Their organic Acts, read today, give clear evidence of the foresight, a century ago, of distinguished scientists and engineers in the mineral resource field. The Bureau of Mines, created from the USGS, early on evidenced understanding of the critical need for Government/industry/university cooperation in mining and metallurgical research by establishing Bureau laboratories on the campuses of well-known mineral universities to achieve the maximum benefits of the synergistic relationships. We cannot expect the private sector to do scientific research in areas that are clearly uneconomic in peacetime. By Executive Order 12155 the President delegated his mineral-related research authority under the Strategic and Critical Materials Stock Piling Act to the Secretary of the Interior. Section 8 (a) of that Act provides that:

> "SEC. 8. (a)(1) The President shall make scientific, technologic, and economic investigations concerning the development, mining, preparation, treatment, and utilization of ores and other mineral substances that (A) are found in the United States, or in its territories or possessions, (B) are essential to the national defense, industrial, and essential civilian needs of the United States, and (C) are found in known domestic sources in inadequate quantities or grades.
>
> (2) Such investigations shall be carried out in order to -
>
> (A) determine and develop new domestic sources of supply of such ores and mineral substances;
>
> (B) devise new methods for the treatment and utilization of lower grade reserves of such ores and mineral substances; and
>
> (C) develop substitutes for such essential ores and mineral products.
>
> (3) Investigations under paragraph (1) may be carried out on public lands and, with the consent of the owner, on privately owned lands for the purpose of exploring and determining the extent and quality of deposits of such minerals, the most

> suitable methods of mining and beneficiating such minerals, and the cost at which the minerals or metals may be produced."

The Organic Acts of the U.S. Geological Survey, and the Bureau of Mines, and other Interior agencies provide additional authority. Among other Government agencies, the role of the National Science Foundation, in maintaining the quality of basic academic research, is central. In the recent past, the NSF has provided grants of about $1 million per annum for fundamental mineral processing research and little or none for mining-related research.

Role of Mineral Institutes

In order to encourage State support for basic research in education in the mineral sciences and engineering, allotment grants, which must be matched (currently, the ratio is 3 nonfederal dollars for 2 Federal dollars), are made to 31 designated schools of higher learning. In addition, research grants are made to five generic mineral technology centers located at selected mineral institutes in support of research of broad applicability to the minerals industry. Awards are made pursuant to Public Law 98-409, the State Mining and Mineral Resources Research Institute Program Act.

Allotment awards ($147,000 in fiscal year 1985) may be used for a variety of mineral-related purposes including scholarships and fellowships, research initiation, research equipment, mineral faculty and staff salaries, and mineral projects of significance to the particular State or region. These grants are made on the basis of proposals received from each institute and approved by the Bureau of Mines.

In response to the 1982 congressional directive to consolidate the mineral institute program, research funds have been concentrated at 5 generic mineral technology centers in mine systems design and ground control, pyrometallurgy, comminution, mineral industry waste treatment and recovery, and respirable dust. The program at each generic center is reviewed technically by a Research Advisory Council. Each Research Advisory Council is made up of experts in the particular generic area selected from industry, Government and academia. Individual project proposals for the generic centers are evaluated and ranked for the Bureau of Mines by each Advisory Council. Associated with each generic center is a reference center which serves as a depository and distributor of technical information, including all of that developed by the generic center, in its specific technical area. While it is clearly impossible to assemble all information on a broad field in a single location, information on a narrower field, such as those of the generic centers, can be and is in the process of being collected in depth. Future efforts in information distribution should be limited to completing the tasks at the present reference centers and, where appropriate, to establishing more reference centers associated with additional generic centers.

The mineral institutes program has been effective in aiding scholarship and research. Scholarship/fellowship awards have provided support for an average of 320 undergraduate students and 420 graduate students each year. In addition, there are presently 100 active research projects supporting more than 100 additional graduate students. Masters degree production in the minerals area has averaged 130 per year and Ph.D.'s 30 per year. In 1984, the program provided support for 236 research initiation projects and 100 active senior research projects. The mineral institutes have attracted support from over 300 private sources. To date, 121 final research reports have been made available to the public. Of these 28 are related to coal, 20 to metallic minerals, 5 to nonmetallics, 25 to reclamation of disturbed lands, 10 to hydrological problems, 11 to mining, 5 to geological exploration, 16 to mineral processing, 12 to blasting, 6 to the economics of mineral extraction, and 6 to petroleum. In 1984, 19 continuing education courses were sponsored.

Need for Highly Trained Personnel

Most process improvements in mining and extractive metallurgy are made in incremental steps at the workplace which result over an extended period of time in evolutionary changes in practice by the private sector. The spawning and implementation of such developments requires highly trained sophisticated personnel who have been well grounded in scientific and engineering principles. Preparation of such specialists is best carried out through close integration of Government/industry/university cooperation at specialized centers of excellence. A decade or so ago, there was a burgeoning need in Federal, State, and local governments, as well as in the private sector, for increasing numbers of specialists capable of dealing with problems arising from mineral production and use. At the Federal level, increased regulation by the Mine Safety and Health Administration of the Department of Labor and the Office of Surface Mining of the Department of the Interior, and the creation of the new Department of Energy gave rise to increased demand for mining engineers and specialists in related disciplines. At the same time, it became necessary for the private sector to acquire additional technical competence to comply with increased regulatory demands in many areas and the need for greater domestic energy production. Many of the persons trained and hired in recent years are now likely to be still employed. The termination of this expansion phase in the 1980's plus recent weakness in worldwide mineral markets has considerably lessened job opportunities in mineral-related areas. Therefore, the needs of a decade or so ago for training large numbers of entry level technicians and scientists has been replaced by the need today for smaller numbers of persons with greater indepth knowledge and sophistication. Consequently, there is now a need for the mineral-oriented universities to concentrate on research and the training of graduate students rather than upon the production of large numbers of Bachelor Degree engineers.

The combination of the need for few but highly skilled personnel, proper direction and rapid application of new developments, and limited Federal resources requires the focusing of research efforts in a limited number of institutions on the basis of close integration of Government/industry/university research efforts. Further, the Nation cannot afford to equip duplicative highly-sophisticated laboratories in every State nor would it be wise to educate large numbers of students in disciplines with limited job opportunities.

The use of a limited number of generic research centers in specialized areas of mineral technology of broad applicability across the industry provides a proper focus for the development of expertise in depth. Universities and Government are fostering development of similar engineering centers covering many other major technological areas (Appendix C). University authorities state that research by faculty talent in a focused technological area, when recognized by partial support from the Federal Government, is able to attract support and cooperation from State and private industry.

There are 4 primary factors that should govern the selection and maintenance of "centers of excellence":

1. Existing University capabilities and interest related to the conduct of research needed on the national level.

2. Proximity of major support from Federal research organizations engaged in research similar to that ongoing at the University.

3. Interest of industry to support ongoing research programs at the University.

4. Needs of State Government for the program of research at the University.

The 5 existing Generic Mineral Technology Centers in Mine Systems Design and Ground Control, Mineral Industry Waste Treatment and Recovery, Pyrometallurgy, Comminution, and Respirable Dust meet these criteria and provide the necessary critical mass and core research capability in each generic area.

Although the present 5 generic centers are responding to the research needs of major segments of the mineral production sector (Figure 1), some pertinent research areas may not be receiving sufficient attention. Consequently, this Committee supports, when sufficient funding becomes available, establishment of additional generic centers in important areas such as hydrometallurgy, mineral thermodynamics, and reclamation.

This report to the Secretary of the Interior, the President, and the Congress has been prepared pursuant to paragraph 9(e) of Public Law 98-409:

> "The Committee shall develop a national plan for research in mining and mineral resources, considering ongoing efforts in the universities, the Federal Government, and the private sector, and shall formulate and recommend a program to implement the plan utilizing resources provided for under this Act. The Committee shall submit such plan

to the Secretary, the President, and the Congress on or before March 1, 1986, and shall update the plan annually."

APPENDIX A

Brief Biographies of Members of the Secretary's Advisory Committee on Mining and Mineral Research
September 25, 1985

Robert N. Broadbent is a graduate of Idaho State College. He served in the U.S. Army Air Force form 1945 to 1946. He is currently the Assistant Secretary for Water and Science in the Department of the Interior, where he oversees the operations of the Bureau of Reclamation, United States Geological Survey, and Bureau of Mines. He is also the designated Federal Representative to the National Strategic Materials and Minerals Program Advisory Commission. From 1980 to 1983 he was Commissioner of Reclamation. Prior to his appointment as Commissioner, he served as County Commissioner in Clark County, Nevada, for 12 years. As Commissioner, Broadbent served as Director of the Las Vegas Valley Water District, a Trustee of the Clark County Sanitation District, and a member of the Regional Planning Council, Clark County Health District, and Regional Streets and Highways Board. He served as President of the Nevada Association of Counties from 1974 to 1975. He was appointed co-chairman of the Advisory Committee on January 3, 1985.

Joseph N. Crowley holds a Ph.D. from the University of Washington, a masters degree from California State University and a B.A. from the University of Iowa. He has been President of the University of Nevada-Reno since 1978. He has been professor and chairman of the Department of Political Science at the University of Nevada and has served as a policy formulation officer for the Environmental Protection Agency. A member of the American Political Science Association, the Western Political Science Association, and the Northern California Political Science Association, he is author of the book "Democrats, Delegates, and Politics in Nevada: A Grassroots Chronicle of 1972," and a co-editor of the publication "Environment and Society." He was appointed to the Advisory Committee January 3, 1985.

John F. Elliott is a graduate of the University of Minnesota and holds a Sc.D. from the Massachusetts Institute of Technology. Since 1960, he has been Professor of Metallurgy at the Massachusetts Institute of Technology. Prior to his appointment to the faculty at M.I.T. in 1955, he was employed at U.S. Steel's Fundamental Research Laboratory and by Inland Steel Company, first as Head, Reduction and Refining Research, and then as Superintendent of the Metallurgical Department. He is a Fellow, American Academy of Arts and Sciences and is a member of AIME, ASME, AIChE, the Electrochemical Society, the British Iron and Steel Institute, the National Research Council, British Metals Society, and the Canadian Institute of Mining and Metallurgy. He is a honorary member of the Iron and Steel Institute of Japan and The Society of Mining and Metallurgy of Venezuela. He has been a Howe Memorial Lecturer and an Extractive Metallurgy Lecturer for AIME. From the AIME he has received the Hunt Award (1954), the F. L. Toy Award (1953-54), John Chipman Award (1972), and the James Douglas Medal (1976). In 1972, he received the Briggs Award of the AIME Electric Furnace Committee and was named a TMS-AIME Fellow in 1968. He was a J.S. Guggenheim Memorial Foundation Fellow in 1964 and Carter Memorial Lecturer at the University of Scrathclyde in 1965. In 1971, he received the White Distinguished Teacher Award from the American Society for Metals. He is the author or co-author of over 140 technical articles and of four textbooks on steelmaking. He was appointed to the Advisory Committee on January 24, 1983.

Edward S. Frohling is a graduate of Massachusetts Institute of Technology with a major in metallurgy. He is President and Chief Executive Officer of Mountain States Mineral Enterprises, Inc., which is in the business of providing engineering and construction services relating to minerals processing for the mineral industry. During World War II, he served with the Corps of Engineers, U.S. Army, in Europe. Prior to founding his company in 1969, positions held included Vice President and Manager of Business Development, Mining and Metallurgy Division, Parson-Jurden Corporation; regional sales manager, Western Machinery Company; mill superintendent, St. Lawrence Fluorspar; plant metallurgist, Climax Molybdenum, and research engineer, Atomic Energy Commission. He is a recipient of the 1982 American Institute of Mining, Metallurgical and Petroleum Engineers (AIME), Charles F. Rand Gold Medal, and is a recipient of an AIME Distinguished Member Award He was President of the Development Authority for Tucson's Economy (D.A.T.E.) and a member of the Board of Directors of the Tucson Chamber of Commerce. He served as Vice President of the Arizona Council of Economic Education and as a Director of the United Bank of Arizona. Presently, he is a member of the Tucson Airport Authority, and serves on the University of Arizona Entrepreneurship Membership Committee and on the Board of Pima Community College Foundation. He is on the Industrial Advisory Council for the College of Engineering, the College of Business and Public Administration, and the Wildcat Club of the University of Arizona. He is also on the advisory board of Tucson Tomorrow. He is a director on numerous civic and business organizations including service as National President of the Associated Builders and Contractors. He is a co-founder of the Mining Club of the Southwest (Tucson). He was appointed to this Advisory Committee August 8, 1984.

Hugh C. Garner is a graduate of Weber College and the Brigham Young University and holds a J.D. degree from the University of Utah. During his service with the Air Force he graduated from the Command and General Staff School, Ft. Leavenworth, Kansas, and the Industrial College of the Armed Forces, Washington, D.C. He is in private law practice in Salt Lake City and Denver. He served as Associate Solicitor for Energy and Resources, and then Deputy Solicitor, Department of the Interior, from 1974 to 1977. Prior to that, he had been a senior partner in the firm of Ray, Quinney and Nebeker, Salt Lake City, Utah. He is a member of the American, Federal, Utah State, and Inter-American Bar Associations. He is a past chairman of the Energy and Natural Resources Section of the Federal Bar Association and he is a former trustee of the Utah Heritage Foundation and the Rocky Mountain Mineral Law Foundation. He is presently serving on the Executive Council of the Natural Resources Section of the Utah State Bar. He was first appointed to the Advisory Committee on April 7, 1982, and served as chairman in 1984 and he was elected cochairman of the expanded committee in 1985.

Bruce B. Hanshaw holds a Sc.B. degree in geochemistry from M.I.T., an M.S. from the University of Colorado, and a Ph.D. in geochemistry from Harvard. He served in the U.S. Army as a Lieutenant 1954-56. He has served as a geologist with industry, the Atomic Energy Commission, and the U.S. Geological Survey where he is currently the Assistant Director for Research. He is a Fellow of the Geological Society of America, and the American Association for the Advancement of Science, and a member of the Geochemical Society, the American Geophysical Union, and the American Chemical Society. Dr. Hanshaw chaired the Ad Hoc Committee on the Mining and Mineral Resources Research Institute Program of the Department of the Interior which functioned from May 1980 to September 1980, and he was appointed to the Advisory Committee on January 1, 1982.

Walter R. Hibbard, Jr. is a graduate of Wesleyan University and holds a doctorate in engineering from Yale University. He is a registered professional engineer in Connecticut, Virginia and Ohio. During the Second World War he served as lieutenant in the U.S. Naval Reserve. He has been a University Professor of Engineering at Virginia Polytechnic Institute since 1974. Positions held prior to that include professor of engineering, Yale University; Manager, Metallurgical and Ceramics Research, General Electric Research Laboratory; Director, Bureau of Mines; and Vice President, Owens Corning Fiberglass Corporation. He has received honorary degrees from Yale, Michigan Technological University, and Montana College of Mineral Science and Technology and has served on numerous Governmental, university, and National Academy of Sciences committees. He has been president of The Metallurgical Society and of the American Institute of Mining, Metallurgical and Petroleum Engineers and is a recipient of the Rossiter W. Raymond award and the James Douglas gold medal from the latter organization. He is a fellow of the American Academy of Arts and Sciences. A member of numerous professional and academic organizations, he is founding editor of the journal, Materials and Society. He was appointed to the Advisory Committee January 1, 1984.

Orme Lewis, Jr. is a graduate of the University of Arizona with a major in economics. He is Vice President of World Resources Company and Executive Vice President of Kellogg-Arizona, Inc., which companies and affiliates are in the business of reclaiming metals from waste solutions and sludges. He is also president of Applewhite Laflin & Lewis, a real estate investment and development firm. Mr. Lewis was elected twice to the Arizona State legislature, from which he resigned as Senate Majority Leader in 1969 to serve as Deputy Assistant Secretary for Public Land Management in the Department of the Interior. He is a member of the Arizona State Power Plant and Transmission Siting Committee, Arizona Energy Resources Association, Desert Botanical Gardens, National Parks and Conservation Association and the Nature Conservancy. Mr. Lewis is a Director of the Arizona State University Foundation, Men's Art Council, Phoenix Childerns Hospital, and Polycystic Kidney Research Foundation. He was first appointed to the Advisory Committee on March 15, 1982.

Marshall M. Lih holds a B.S. degree from the National Taiwan University (NTU) and M.S. and Ph.D. from the University of Wisconsin-Madison, all in Chemical Engineering. He worked for Du Pont from 1962 to 1964 and taught Chemical Engineering at the Catholic University of America from 1964 to 1973. He also held a research appointment at the National Biomedical Research Foundation and is a guest lecturer at the Georgetown University Medical School. Between 1970 and 1971 he was a NSF-NSC visiting professor and served as Chairman of the Chemical Engineering Department and Director of Chemical Engineering Research Institute at NTU. In 1973, he joined the National Science Foundation first as Program Director for Thermodynamics and Mass Transfer, then (1976) Division Director for Chemical and Process Engineering which was changed to Chemical, Biochemical, and Thermal Engineering in February 1985. A Charter Member of the U.S. Senior Executive Service he also served 3- and 6-month terms as NSF's Acting Deputy Assistant Director for Engineering in 1981, 1982 and 1984. A member of Sigma Xi, Phi Lambda Upsilon, New York Academy of Science, and American Institute of Chemical

Engineers (Chairman, National Capital Section, 1968-69), he has served as Distinguished or Memorial Lecturer at Bucknell, Maine, Iowa State, and VPI State Universities. He is author of *Transport Phenomena in Medicine and Biology* (Wiley 1975) and research papers in catalysis, biomedical transport and color technology. He served on a 1976 U.S. Bureau of Mines Committee on its thermodynamics activities and is currently a member of the National Research Council Board on Assessment of NBS Programs, Panel on Chemical Engineering. He was appointed to the Committee effective January 24, 1985.

John D. Morgan holds B.S., M.S., Ph.D., and E.M. Degrees in mining engineering from the Pennsylvania State University. He served as a Major in the Corps of Engineers, U.S. Army, in World War II and as a senior official of the National Security Resources Board, the Defense Production Administration, and the Office of Defense Mobilization in the Korean War period. He was a consultant to industry and government 1956-71, a member of the National Defense Executive Reserve for 30 years, and has been a senior official of the U.S. Bureau of Mines since 1971, having served as Acting Director for 3 years and currently as Chief Staff Officer. He is an Honorary Professor, Industrial College of the Armed Forces, National Defense University, a Distinguished Member of the Society of Mining Engineers-American Institute of Mining, Metallurgical, and Petroleum Engineers, a Fellow of the Society of American Military Engineers, and a member of the Scientific Research Society of America and the American Defense Preparedness Association (formerly Army Ordnance Association). In 1959-60 he served as a member of the National Academy of Sciences' Committee on the Scope and Conduct of Materials Research. He was also a member of the National Academy of Sciences' Committee on Mineral Science and Technology, 1965-1969, that made recommendations leading to the Mining and Minerals Policy Act of 1970 and the subsequent establishment of the State Mineral Institutes. Dr. Morgan has served as a member of the Advisory Committee since its establishment in 1978.

Don L. Warner received the professional degree of geological engineer in 1956 and the master of science degree in 1961 from the Colorado School of Mines and the Ph.D. degree in Engineering Science from the University of California at Berkeley in 1964. Since 1969, he has been professor of geological engineering at the University of Missouri-Rolla and became Dean of the School of Mines and Metallurgy in 1981. Prior to his appointment at the University of Missouri he was Chief of Earth Sciences for the Ohio Basin Region of the Federal Water Pollution Control Administration (1967-1969) and Research Geologist and Engineer for the Division of Water Supply and Pollution Control of the U.S. Public Health Service (1964-1967). He worked for several energy companies in the western U.S. and Central America during 1956-58. Since 1969, he has been consultant to numerous governmental agencies, academic organizations and private companies. He is a member of the American Association of Petroleum Geologists, American Institute of Professional Geologists, Association of Engineering Geologists, Geological Society of America, National Water Well Association, National Society of Professional Engineers, and Missouri Society of Professional Engineers and is a registered professional engineer and certified professional geological scientist. He was appointed to the Advisory Committee January 3, 1985.

APPENDIX B

MINERAL INSTITUTES

State	Institution
Alabama	University of Alabama
Alaska	University of Alaska - Fairbanks
Arizona	University of Arizona
California	University of California - Berkeley
Colorado	Colorado School of Mines
Georgia	Georgia Institute of Technology
Idaho	University of Idaho
Illinois	Southern Illinois University
Indiana	Purdue University
Iowa	Iowa State University
Kentucky	University of Kentucky
Louisiana	Louisiana State University
Massachusetts	Massachusetts Institute of Technology
Michigan	Michigan Technological University
Minnesota	University of Minnesota
Mississippi	University of Mississippi
Missouri	University of Missouri - Rolla
Montana	Montana College of Mineral Science and Technology
Nevada	University of Nevada - Reno
New Mexico	New Mexico Institute of Mining and Technology
North Dakota	University of North Dakota
Ohio	Ohio State University
Oklahoma	University of Oklahoma
Pennsylvania	Pennsylvania State University
South Dakota	South Dakota School of Mines and Technology
Texas	University of Texas
Utah	University of Utah
Virginia	Virginia Polytechnic Institute and State University
Washington	University of Washington
West Virginia	West Virginia University
Wyoming	University of Wyoming

PROFILE OF THE GENERIC MINERAL TECHNOLOGY CENTER FOR PYROMETALLURGY

The Pyrometallurgy Center was established in 1982 by a grant from the U.S. Bureau of Mines under the State Mining and Mineral Resources Research Institute Program. The headquarters of the Center are at the

University of Missouri, Rolla. The other participating institutions are, at present, the Colorado School of Mines, Ohio State University and Purdue University.

One of the important factors in maintaining a viable primary metals industry in the U.S. is that it must be in a position to adopt appropriate new technology as it is developed. New technology may emerge in the U.S. or from other countries. In either case, its adoption is not an easy process and requires companies to have considerable in-house expertise to carry out technical evaluations and adapt processes to local conditions. Properly trained personnel will be essential.

Ideally the U.S. industry should develop much of its own new technology in-house or via research contracts, but this appears to be unrealistic in the present difficult circumstances in which the industry finds itself. In the past 40 years many of the significant technical advances in pyrometallurgy have originated from outside the U.S. but there have been American successes, such as the ASARCO furnace for melting pure copper and the AOD converter for the production of refined stainless steel. Expenditures of R&D have been sharply reduced in the past decade.

The adoption of new technology requires favourable economic and political climates before the necessary capital can be raised. This is more likely to be the case if the industry is seen to have been technically competitive in the immediate past.

The secondary metals industries, which reclaim and recycle metals, are expected to expand because of the high usage of primary metals in the U.S. These industries often use pyrometallurgical processes to treat the complex materials that arise from scraps and waste.

There has already been some recognition of these facts by government as evidenced by recent actions on trade policy for steel imports, by the Keyworth initiative on new technology for the steel industry and indeed by the setting up of the Generic Mineral Technology Centers.

PYROMETALLURGY

The subject of pyrometallurgy is undergoing considerable development and striking changes in the technology have occurred in the past 10 years. To take one example, the fraction of steel produced in the U.S. by continuous casting rose from 11% in 1976 to 31% in 1982 and will rise to about 80% in 1990.

Some examples of developments in pyrometallurgy are listed below:

(a) Ores now being discovered are generally more complex than those exploited in the past, so new processes have been and are being developed to treat these complex materials and to recover a number of major valuable components from a single feed.

(b) Computation of the electromagnetically driven flows used to stir metals while they are being continuously cast.

(c) Physical models using water or low-melting point metals are being increasingly employed to model processes which occur at temperatures of up to 1800 C during the smelting and refining of metals. For example, programs for electromagnetically driven flows have been verified using data from experiments on mercury at room temperature.

(d) The use of extended arc furnaces is being developed with a view to the direct smelting, in a molten bath, of wastes which originate in a finely divided form.

(e) Microcomputers and advanced instrumentation are being used to log data and to control experiments and processes. For this to be successful a detailed knowledge of the process dynamics is necessary and much progress is being made in this area.

(f) Computer programs which calculate the phases which will be present at equilibrium in complex mixtures.

THE PYROMETALLURGY CENTER

The tasks of the Pyrometallurgy Center are

(a) to carry out the fundamental research which will provide the chemical and process engineering data needed for the development of new processes and/or the improvement of existing processes,

(b) during the course of the above to work to educate graduates who can take their place in the metals industries as professional engineers, expert in the relevant new technologies,

(c) to act as a focus for pyrometallurgy research, through the Service for Pyrometallurgy information.

The projects being pursued in the Center at present are listed below. These projects have been selected by the Advisory Council for their relevance in addressing the concerns and objectives defined earlier.

Injection of Reactants into Molten Fluids with Strongly Coupled Heat Transfer
Vacuum Refining
Mineralogy of Pyrometallurgical Feeds and Products
High Temperature Gas-Particle Reactions
Behavior of Oxygen and Sulfur in Complex Mattes
Plasma Particle Reaction Experiments
Chromium from Low-Grade Concentrates in Transferred Arc Plasma Furnace
Electrochemical Factors in Fused Salt Enhanced Reduction
Mechanisms of Attack and Protection of Refractories

PROFILE OF THE GENERIC MINERAL TECHNOLOGY CENTER FOR MINE SYSTEMS DESIGN AND GROUND CONTROL

The Center was established in 1982 by a grant from the U.S. Bureau of Mines under the State Mining and Mineral Resources and Research Institutes Program. The Center is headquartered at Virginia Polytechnic Institute and State University in Blacksburg, Virginia. Other participating institutions are, at present, the University of Alabama, Tuscaloosa, Alabama; the University of Kentucky, Lexington, Kentucky; the University of Idaho, Moscow, Idaho; the University of Alaska at Fairbanks; and the University of Nevada-Reno.

AIMS

The primary aims of the Generic Mineral Technology Center in Mining Systems Design and Ground Control were carefully selected by members of the participating Institutes considering the broad range of mining conditions available to the Institute participants in their particular region. It was determined the composite systems concept will prove most beneficial, as this approach reflects the many facets of mining, including the activities of mining exploration, evaluation, development, extraction, conservation and the environment. Visualization of this composite systems approach may be be illustrated by considering open-pit mining which demonstrates an effective ground-control system interaction for optimizing design, production control, and safety. The major goal of this research is to produce for the individual sub-systems, the geologic environment, and the ground-control/operational-systems interface necessary to optimize production and safety at minimum cost.

Major Programmatic Thrusts of the Center

Representatives from the participating Institutes joined together in discussion for formulating, considering and creatively integrating the research concept into the following eight major programmatic thrusts, falling within the defined context of the Generic Mineral Technology Center:

1. Exploration Influence of ground-control parameters, such as roof characteristics, structural regions, ore-body definition, location, and valuation.

2. Rock Characterization and Response Characterization of rock types and their responses to the specifications and demands of possible mining methods and systems.

3. Ground Control/Systems Interface Creative application of ground-control constraints in the design of mining systems.

4. Systems Simulation Simulation of mining systems for implementation through a wide-range of geologic environments and other parametric constraints.

5. Innovative Systems Implementation of new systems concepts devised to address production, ground control and other constraints.

6. Production Planning and Control Production planning methods and needs together with the approaches of controlling these factors in a variety of mining environments.

7. Environmental Considerations Constraints upon system development imposed by such factors as ventilation, surface environment, water and human needs.

8. Systems/Ore-body Integration The final objective of the research efforts would be to combine the sub-systems of ore bodies to optimize productivity and other critical factors involved in the safe and efficient mining of mineral resources.

These eight major programmatic thrusts have formed the foundation for the creative thinking that has resulted in the research program with defined research objectives, graduate student involvement on the M.S. and the Ph.D. level, and careful budget control of the programmatic and institutional aspects.

Expertise of the Center in Mine Systems Design and Ground Control

The six universities, participating in the Institute, possess concentrated, unique and long established expertise in the assigned research mission of the Center. Alabama, possessing some of the deepest operating underground coal mines in the United States with depths of 2,200 feet or more, has encountered severe mine systems design and ground control problems to overcome enormous safety problems including roof and pillar failures because of high stress concentrations. Alaska is in a unique and certainly leading position in studying the fundamental characteristics of rocks characterization and their response in ground control problems in permafrost. Further the excavation problems concerned with roof stability in frozen ground and permafrost are unique and specific to the Sub-Arctic mining environment.

The University of Idaho has dedicated research efforts over many years to the deep mining horizons of their areas with special emphasis on the ore bodies of strategic minerals and the precious metals. The mining problems of the northwest have long been the subject of continued research efforts in pursuit of solutions to these mining problems. Kentucky, being the largest coal-producing State in the nation, has enlisted the talent of its University faculty in assisting to advance a solution to many of the problems in the mining systems design and ground control in a multi-seam mining environment. Interaction of the many elusive parameters of multi-seam mining in systems design and ground control including roof support has been the subject of long research and investigation in this economically important State.

The long-standing research program of the Mackay School of Mines and the State of Nevada, pursuing research objectives in the mining of the ore bodies containing strategic minerals and precious metals, have long been known throughout the world. Its recent emergence with an increasing number of precious metals producers operating on a substantial scale has added to it impact, recognition and interest with deep-mining problems in underground cooling for an improved working environment.

VPI&SU, the base Institution for the Center, continues to research in mining systems design and ground control which was started under the sponsorship of the Office of Coal Research, Department of Interior, and continued under the Energy and Research and Development Administration, and the Department of Energy. Over 24 comprehensive simulation computer programs have been developed. The programs continue to attract the attention of government, industry, and universities throughout the world including the United States, Australia, South Africa, Europe and South America. It is estimated that over $2.0 million in resources have been invested in this significant contribution to the advancement of this mining technology.

Program

The following projects are underway at the Mine Systems Design and Ground Control Center:

Application of Ground Control Constraints in the Design of Mining Layout and Roof Support
Prediction and Control of Unstable Ground Conditions in Underground Coal Mines
Identification and Application of Ground Control Parameters Pertaining 'to the Design of Mine Layout
Computer Modelling and Simulation of Mining Systems
Integration of Ground Control and Systems Engineering Through Interactive Simulation
Rock Characterization and Response in Deep Coal Mine Ground Control
Optimization of Pillar Dimensions in Permafrost Placer Mine
In-Situ Displacement Analysis of Underground Opening in Permafrost Regions
Computer Simulation of the Integrated Mining and Reclamation Operations of a Sub-Arctic Surface Coal Mine
Mine Systems Design and Roof Support
Design Parameters for Planning Airflow Climate of Underground Mines
A Geostatistical Study of Precious Metal Deposits in western United States

Ground Control Design Factors in Multi-Seam Mining
Monitoring Ground-Control Parameters in Longwall Mining
Diesel and Electric Cable-Reel Shuttle Car Comparison
Alabama Coal Field Subsidence
Underhand Longwall Cut and Fill
Failure in Coal-Bearing Roofs
Reinforced Timber Posts
Underground Booster Fans
Ground Water and Surface Structure Response
Coal Measure Strata Caveability
Holographic Testing Methods of Earth Material for Surface Mining
Design Problems of a Surface Coal Mine in North Slope of Alaska
This Seam Coal Mining Systems Design
Effects of Soft Floor Interaction on Room and Pillar Coal Mining
Designing for Upper Seam Stability in Multiseam Mining
Longwall Interaction in Multi-Seam Mining.

PROFILE OF THE GENERIC MINERAL TECHNOLOGY CENTER FOR COMMINUTION

The Comminution Center was established in 1982 by a grant from the U.S. Bureau of Mines under the State Mining and Mineral Resources and Research Institutes Program. The headquarters for the Center is at the University of Utah in Salt Lake City. Other participating institutions are, at present, the University of California-Berkeley; the Colorado School of Mines in Golden; the University of Minnesota in Minneapolis; Michigan Technological University in Houghton; and New Mexico Institute of Mining and Technology in Socorro.

Importance of Comminution Research

In many respects comminution processes, i.e., crushing and grinding, are the most important steps in a mining and metallurgical operation. If adequate liberation is not achieved during size reduction, subsequent separation steps will yield low metallurgical recoveries and/or product grades. Further, energy requirements and operating costs for size reduction typically exceed 25-50% of the total expenditures for the entire operation. Since the efficiency of size reduction steps are typically less than 5%, the potential for improvement is enormous.

In spite of the enormous potential, the level of research in comminution science and technology in U.S. industry, universities and government laboratories are clearly not commensurate with the potential for return (Comminution and Energy Consumption, NMAB Report 364,191). The establishment of this generic center has the aim of elevating research in rock breakage to its importance for the mineral industry and its potential for cost savings.

Research Areas

The Center conducts research in the following specified areas of research:

(1) Automatic Control. The development of computerized control strategies for crushers, rod mills and semi-autogenous grinding mills, will permit the anticipation and adjustment to real time feed variations for maximum efficiency. The development of novel sensing and control equipment is also included.

(2) Characterization. Determining particle size and shape distributions, mineralogical and chemical composition, and surface area, porosity, and rheological properties will aid comminution efficiency.

(3) Classification. Obtaining fundamental understanding of the operation of hydrocyclones, vibrating screens and other equipment will permit separating process streams for recycle in the comminution process.

(4) Corrosion/Erosion. Understanding of the factors influencing wear rates in comminution equipment will permit better design.

(5) Fragmentation Science. Understanding the relations between mode of energy input and the breakage of rock of various types will improve liberation efficiency.

(6) Computation. Utilizing statistical methods to understand and predict the evolution of particle distributions will improve selection of grinding conditions.

Purposes

In addition to carrying out research of significance to industry, this center serves to educate students as engineers and scientists, provides a focal point for information in comminution science through the operation of a reference center, and serves to foster industrial cooperation and thereby facilitate technology transfer.

Program

The following projects are now underway at the Comminution Generic Center:

Application of Modern Control Theory to Crushing
Adaptive Control Strategies for Rod-Ball Mills
Measurement and Prediction of Mineral Liberation During Grinding
Phenomenological Model of the Hydrocyclone
Breakage Mechanisms in Tumbling Mill Grinding
Corrosion-Erosion Phenomena in Grinding Media
Grinding Aids and Transport in Comminution
Energy of Fragmentation and Comminution in Percussive Drilling
Role of Abrasion and Corrosion in Grinding Media Wear
On-Line Measurement of Particle Size and Specific Gravity in a Wet Grinding Circuit
Explosively Induced Shock Waves in Ore Minerals: Fracture and Attenuation
Computer Simulation of Complex Comminution Circuits
Large Grinding Mill Dynamics and Scale-Up
Fluid-Flow and Particle Trajectories in Hydrocyclone Using Motion Analyzer
Comminution of Mineral Mixtures
Field Parameters Controlling Explosive Fragmentation
Tracer Study of Rates and Transport in Rod Mill
Electrochemical Interactions, Slurry Rheology
Interaction of Particles During Fragmentation
On Line Estimation of Ball/Liner Wear in Tumbling Mills
Numerical Simulation of Comminution in Jointed Geological Media
Semi-Autogenous Grinding
Density Interactions in Hydrocyclones
An Evaluation of Two-Stage Classification
New Comminution Technology Evaluation .

PROFILE OF THE GENERIC MINERAL TECHNOLOGY CENTER FOR MINERAL INDUSTRY WASTE TREATMENT AND RECOVERY

This Center was established in 1982 by a grant from the U.S. Bureau of Mines under the State Mining and Mineral Resources and Research Institutes Program. The Center is headquartered at the Mackay School of Mines at the University of Nevada in Reno, Nevada. Other participanting institutions are, at present, the University of Idaho, Moscow, Idaho; Montana College of Mineral Science and Technology, Butte, Montana; and the New Mexico Institute of Mining and Technology, Socorro, New Mexico.

In the recycling and recovery of minerals and materials from waste products, although some such recovery is being made at the present time, large quantities of such materials and metals are currently lost. It would appear that additional, significant, recovery of these substances could play an important role in attaining strategic minerals security.

At the same time, the national concern for a clean environment continues. Certainly, many serious waste disposal problems exist in the mineral industries. These problems include disposal of large quantities of solids which may contain toxic substances, handling of toxic effluent streams and prevention or moderation of noxious gas emissions. In some cases, such problems have caused or still threaten the closing of important mineral processing and/or metal extraction operations. They also can be important factors in delaying or preventing the opening of new mines and their associated processing plants.

Research Areas

The Center conducts research relating to wastes resulting from mining, beneficiation, and metallurgical processes. The goals of the research are to identify and alleviate or prevent problems relating to effluents and solid wastes associated with mineral operations and to recover values from such operations.

Purposes

The tasks of the Mineral Waste Treatment and Recovery Generic Center are:

(a) to carry out fundamental research in hydrology, tailings stability, and process metallurgy related to wastes generated in the mineral cycle,

(b) to foster industrial cooperation and thereby facilitate technology transfer,

(c) to act as a focal point for information and expertise on mineral waste problems by the operation of a reference center on waste problems,

(d) to utilize research for the education of graduate and undergraduate students, and

(e) to utilize seminars, publications, and meetings to expose students to mineral waste problems and potential solutions in areas outside their own direct concern.

Program

The following projects are underway now at the Mineral Industry Waste Treatment and Recovery Center:

Radionuclides Technology
Mill Tailings Unsaturated Hydraulic Properties

Controlling Acid Mine Drainage at the Bunker Hill Mine
Treatment of Copper Smelter Flue Dust
Treatment of Lead Smelter Speiss
Barite Waste Recovery
Fluoride Wastes From Mineral Industry Plants
Cyanide Wastes Associated with Gold Metallurgy
Critical Metals from Nonferrous Slags
Effects of Thiourea and Thioacetamide on Sulfide Precipitation of Heavy Metals
Fluidized Bed Electrodeposition of Metal Ion Effluents
Waste Treatment of Tailing Fluids
Recovery of Copper and Arsenic from Electrorefining Bleed Stream Sludge
Supercritical Extraction of Platinum-Group Metals
Cyanide in Mill Tailings Impoundments
Spatial Variability of Mill Tailings Hydraulic Properties
Removal of Toxic and Heavy Metal Species from Waste Solutions by the Formation of Stable and Filterable Precipitates
Effects of Shape and Surface Chemical Factors on Flotation of Fines
Stainless Steel Spent Pickling Solutions
Recovery of Suspended Solids from Mine Waste and Plant Waters by Liquid Fluidized and Packed Beds

PROFILE OF THE GENERIC MINERAL TECHNOLOGY CENTER FOR RESPIRABLE DUST

The Respirable Dust Center was established in 1983 by a grant from the U.S. Bureau of Mines under the State Mining and Mineral Resources and Research Institutes Program. Leadership of the Center is shared by the Pennsylvania State University, University Park, Pennsylvania and West Virginia University, Morgantown, West Virginia. Other participating institutions are, at present, the University of Minnesota and Massachusetts Institute of Technology.

The Respirable Dust Problem

Exposure to respirable contaminants in mine atmospheres has long posed a serious hazard to miners. The control of these hazards, some of which can have sudden and catastrophic consequences and some others, slow and long enduring, has been a major concern for labor, management and the government. This concern has manifested itself in four mechanisms of control -- (1) regulatory control through minimum standard setting by the passage of mine health and safety laws, (2) engineering control through design and operation of mines according to the best recommended practices, (3) interaction of dust and lung control through periodic physical examinations, wearing personal protection devices, etc., and (4) legal and social control through workman's compensation laws for occupation related health deterioration.

The National Academy of Sciences (NAS) Study,"Measurement and Control of Respirable Dust in Mines," proposed a significant increase in U.S. Bureau of Mines funding for obtaining fundamental understanding of the origin, transport and characteristics of respirable coal mine dust. This recommendation was based on the impact on society of mine workers pneumoconiosis and the magnitude of the research and development effort needed to bridge the information gaps identified by the NAS study research group. The NAS committee further stated that "even if funding for these purposes were trebled it would still be small compared with the total annual costs associated with coal mine workers pneumoconiosis, which exceed $1 billion a year." It is within this context that the comprehensive program is designed to permit an accelerated attack on the fundamental research problems for the control of respirable dust in mines.

Significant progress has been made in lowering the dust levels in mines since the inception of the Bureau's respirable dust research program. It is generally agreed that mines are less dusty today than they were a decade ago. However, the most serious hazard for workers in the mining and minerals processing industries is still the exposure to respirable dust, and solutions to the problem of respirable dust disease remain to be found.

Major Research Areas

The Center conducts research in five specified areas with primary emphasis on the engineering control of dust in mines and the interaction of dust and lungs. The five areas are: the control of dust generation, the dilution, dispersion and collection of dust, dust characterization, dust lung interaction, and relationship of mine environment, geology, and seam characteristics to dust generation and mobility. The research center unites in a common cause West Virginia University and Pennsylvania State University with the West Virginia University Medical Center, the Pennsylvania State University Hershey Medical Center, and NIOSH -- Division of Respirable Disease Studies. While the efforts are primarily directed to the prevention and alleviation of coal miners pneumoconiosis, studies include respirable dust produced in metal and nonmetal mines and during metallurgical operations.

Purposes

The tasks of the Respirable Dust Center are:

(a) to carry out fundamental research necessary to address the complex problems relating to dust exposure,

(b) to foster industrial cooperation and thereby facilitate technology transfer,

(c) to integrate research results into mining engineering curricula, short courses, and seminar programs,

(d) to transfer information through publication and sponsorship of an annual international conference on respirable dust,

(e) to act as a focus for respirable dust research through the service of a reference center,

(f) through research described to educate graduate and undergraduate students as engineers and scientists.

Program

The following projects are now underway at the Respirable Dust Generic Center:

Fracture Mechanics Study of Crack Propagation in Coal
Experimental Study of Mechanism of Dust Generation and Entrainment
Prediction of Ambient Dust Concentrations in Mine Atmosphere
Experimental Studies of Dispersion and Transport of Respirable Dusts
Measurements and Construction of Dust Distribution Maps for Longwalls
Coal Mine Dust Characterization
Mechanism of Lung Injury by Coal Mine Dusts
Pulmonary Inhalation Toxicity of Respirable Coal Dust: Morphometric
Respirable Dust Testing in Metal, Nonmetal Mines and Metallurgical Operations
Standard Procedures for Characterization of Respirable Coal Dust Potential

Correlations of Respirable Dust Characteristics to Coal Seams, Worker Positions, and Mining Methods
Modelling of Longwall Face Ventilation
Aerodynamic Diameter Analysis of Coal Dust
Wetting Characteristics in Relation to Dust Abatement
One-by-One Analysis of Coal Particles Using an Automated SEM with X-Ray Fluorescence
Polymorphonuclear Leukocytes in Dust Lung Interation
Dust-Lung Interaction in Coal Miners
Effects of Respirable Dust on the Release of Superoxide From Pulmonary Alveolar Macrophages
Magnetic Resonance of Paramagnetic Ions and Free Radicals in Coal Dust and in Lung Tissue Under Controlled Dust Exposure
Determination of Silica Particle Concentrations in Respirable Size Range
Development of Mine Dust Distribution Models for Working Faces
Shape and Surface Characterization of Respirable Mine Dust Particles.

APPENDIX C

REPRESENTATIVE CENTERS FOR INDUSTRIAL TECHNOLOGY AS OF JULY 1985

Under the Department of the Interior's Mining and Mineral Resources Research Institute Program (administered by the Bureau of Mines) five Generic Mineral Technology Centers (GMTC's) facilitate government/industry/university cooperative research. Each GMTC covers a major segment of the mining and extractive metallurgy portion of the mineral sector (see figure 1) and does research of broad applicability. Each GMTC maintains a Reference Center to facilitate access to the specific body of technical literature pertinent to its area of research and to disseminate the results of its particular research.

Generic Area	GMTC	Affiliates
Mine Systems Design & Ground Control	Virginia Polytechnic Institute & State U.	U. Alabama, U. Alaska-Fairbanks, U. Idaho, U. Kentucky, U. Nevada-Reno
Comminution	U. of Utah	U. Minnesota, U. California, Colorado School of Mines, Michigan Tech, New Mexico Tech
Mineral Industry Waste Treatment and Recovery	U. Nevada-Reno	U. Idaho, Montana College of Mineral Science and Technology, New Mexico Tech.
Pyrometallurgy	U. Missouri-Rolla	Purdue, Ohio State, Massachusetts Institute of Technology
Respirable Dust	Pennsylvania State & West Virginia U.	U. Minnesota, Massachusetts Institute of Technology

SIMILAR CENTER UNDER OTHER SPONSORSHIP

NSF-SPONSORED MAJOR ENGINEERING RESEARCH CENTERS
(with $ ceiling total for 5 years)

U. of California (Santa Barbara) Center for Robotics Systems in Microelectronics	$14 million
Columbia U. Engineering Research Center for Telecommunications	$20 million
U. of Delaware (Rutgers U. affiliate) Center for Composites Manufacturing Science & Engineering	$ 7.5 million
U. of Maryland (Harvard U. affiliate) Center on Systems Research	$16 million
Massachusetts Institute of Technology Center on Biotechnology Process Engineering (National Institutes of Health will co-fund)	$20 million
Purdue U. Center for Intelligent Manufacturing Systems	$17 million

NSF-SPONSORED INDUSTRY-UNIVERSITY COOPERATIVE RESEARCH CENTERS

Massachusetts Institute of Technology - Polymers (Processing)	est. 1973
Rensselaer Polytechnic Inst. - Computer Graphics	1979
U. of Massachusetts - Polymers (Properties)	1980
Ohio State U. - Welding	1980
Case-Western Reserve U. - Polymers (Applied)	1981
U. of Rhode Island - Robotics	1982
North Carolina State U. - Telecommunications	1982
Rutgers U. - Ceramics	1982
Georgia Institute of Technology - Materials Handling	1983
Worcester Polytechnic Inst. - Automation Technology	1982
Texas A & M U. - Hydrogen Technology	1982
Pennsylvania State U. - Dielectrics	1983
Colorado School of Mines - Steel Processing	1983
U. of Washington - Process Analytical Chemistry	1983
New Jersey Inst. of Technology - Toxic/Hazardous Waste Management	1983
U. of Arizona - Optical Circuitry	1983
West Virginia U. - Fluidized Bed Research	1983
Northwestern U. - Tribology	1983
U. of North Carolina/Duke U. - Monoclonal Lymphocyte Technology	1983
U. of Arizona - Microcontamination Control	1983

NSF-FUNDED MATERIALS RESEARCH LABORATORIES

	FY 1984
Brown	$1,955,000
Carnegie-Mellon	820,000
Case-Western	810,000
Chicago	1,050,000
Cornell	4,064,000
Harvard	1,147,000
Illinois	2,140,000
Massachusetts	770,000
MIT	3,031,000
Northwestern	2,340,000
Ohio State	560,000
U. of Pennsylvania	3,550,000
Purdue	1,350,000
Stanford	2,317,000
Total	$25,903,000

NSF-FUNDED SUPERCOMPUTER CENTERS
($200 million over 5 years)

Cornell
U. of Illinois
U. of California (San Diego)*
Princeton*
*Joint ventures with consortiums of colleges and industries.

OTHER CENTERS

In recent years many other centers for engineering research have been established to facilitate government/industry/university interaction. A brief sampling follows:

Texas (Austin) - microelectronics, computer science, energy

*U. Virginia (Charlottesville)	computer-aided engineering
*Virginia Commonwealth U. (Richmond)	biotechnology
*Virginia Polytechnic Institute (Blacksburg)	materials science and engineering information technology

*coordinated through State Center for Innovative Technology

Northwestern, U. Chicago, U. Illinois, Illinois Inst. Technology - energy conservation, in cooperation with Standard Oil of Indiana, Inland Steel, U.S. Gypsum Company.
Scripps Research Clinic - $1.0 million from Pittsburgh Plate Glass for plant biology lab.
Pennsylvania State (State College) - undersea systems for U.S. Navy
Arizona (Tucson) - digital radiography
Stanford (Palo Alto) - computers
Carnegie-Mellon (Pittsburgh) - robotics & artifical intelligence
$103 million Defense Software Engineering Center
North Carolina Microelectronics Center
consortium of 5 universities & Research Triangle Institute
Texas Integrated Pest Management
consortium of 17 universities
Illinois (Urbana/Champaign) & Southern Illinois (Carbondale)
Center for Research on Sulphur in Coal
Colorado School of Mines (Golden)
mineral industry, welding
Michigan (Ann Arbor)
Macromolecular Research Center
West Virginia (Morgantown)
Energy Research Center
Illinois Institute of Technology Research Institute (Bartlesville, Oklahoma - National Institute for Petroleum Research
University Corporation for Atmospheric Research: National Center for Atmospheric Research (Boulder, Colorado) - consortium of 53 universities
MIT (Cambridge)
Manufacturing & productivity
Michigan (Ann Arbor) - robotics & integrated manufacturing, Great Lakes Adjustment Assistance Center
New Mexico Institute of Mining and Technology (Socorro)
explosives technology
Pittsburgh (Pittsburgh) - bituminous coal research, oil technology (Gulf Oil gave $100 million center)
California (Berkeley)
computer-aided design of microelectronic circuits
Consortium of Washington, Washington State, Chicago, Princeton, New Mexico State - 140" telescope on Sacramento Peak, N.M.
Consortium of Rhode Island and 9 universities - ocean drilling

California (Los Angeles) - plasma physics
Yale - vertebrate fossil paleontology (Princeton gave 24,000 fossils)
Cal Tec/U. Cal/U. Hawaii
$85 million 10-meter telescope on Mauna Kea
Georgia Inst. of Technology/China Assn. for Science and Technology develop small and medium sized industries in China through Ga. Tech's Advanced Technology Development Center
Hofstra/U.'s International Trade Development Corp. & China Association of Science and Technologies, to develop Chinese industry
Consortium of Cal. Tech/Stanford/Carnegie Mellon/MIT Lincoln Laboratories - to develop specialized computers for Strategic Defense Initiative
Laurentian U. (Sudbury, Ontario, Canada) - (Part of Canada's Centres of Specialization scheme) - mining & mineral technology research

Question: One of the reasons you have proposed no funds for the Mineral Institutes program is because State and private resources are adequate to continue the program at an appropriate level. Do you have anything specific to back this statement up?

Answer: A decade ago, there was an increasing need for specialists capable of dealing with problems arising from mineral production and use. The Mineral Institutes program successfully helped to encourage the States to fulfill that demand. Many of these positions are now filled with younger people looking forward to a lengthy career. At the same time, termination of this expansion phase, plus recent weakness in worldwide mineral markets has considerably lessened job opportunities in mineral-related areas and the need to train more individuals to fill them. Consequently, State and private resources are presently more than adequate to fulfill the demand for technically trained personnel, while critical research needs of the mineral industry should be financed by the industry itself.

Question: Have private sources indicated to you that not only are they willing to come up with the mandated cost share increase (3 to 2 in FY 86; 2 to 1 in FY 87) but are willing to completely fund the entire program?

Answer: The Mineral Institutes are not discrete entities, but instead serve as the mechanism for directing funds to faculty members engaged in mineral-related studies in various departments at large academic institutions. These State colleges and universities have substantial resources, both public and private, for carrying out their missions.

MINERAL RESOURCES

Question: You are proposing not to accelerate in-house efforts relating to the recovery of titanium from domestic resources. Instead, in fiscal year 1987, the Bureau will continue with the FY86 program and emphasize minimizing the contamination that occurs during processing. Have domestic resources of titanium increased recently thus eliminating the need for accelerated research?

Answer: There has not been any substantial increase in domestic titanium resources. The United States continues to be heavily dependent on imports for the titanium minerals, rutile and ilmenite. Three Florida operations were producing these minerals from beach sands in 1985. We do not have substantial domestic resources of rutile, and domestic production of ilmenite has been reduced. Existing ilmenite operations in New Jersey and New York are closed.

Question: What were the previous plans and funding requirements for this accelerated research?

Answer: Research on processing perovskite resources under the accelerated program would be $595,000 annually vs $345,000 for the reduced level approach. The accelerated program would have included evaluating the process on a larger scale with an industrial cooperator, continuing work on recovering columbium and rare earth metals as byproducts, and recovering titanium metal from the titanium oxide powder which is an intermediate product.

Question: Could you provide for the record an expanded description of the proposed decrease in Mineral Resources?

Answer: The research efforts which will be modified as a result of this decrease are itemized in the table below:

Title	Location	Type of Action	Funding
Biologically Enhanced Minerals Processing	INEL[1]	Discontinue	$652,000
Metal-Gas Reactions in a Thermal Plasma	INEL[1]	Discontinue	788,000
Inorganic Membrane Technology	INEL[1]	Discontinue	463,000
Subtotal			1,903,000
Titanium Recovery From Domestic Perovskite Ores	SLCRC[2]	Reduce by	250,000
Appraisal of Critical Minerals From Northwestern and Alaskan Resources	SLCRC[2]	Reduce by	313,000
Beneficiation of Oxide Minerals	SLCRC[2]	Reduce by	223,000
Subtotal			786,000
Total			$2,689,000

1/ INEL is the Idaho National Engineering Laboratory
2/ SLCRC is the Salt Lake City Research Center

LEACHING STUDIES

Question: Your justification indicates that leaching studies to recover base metals from sulfide concentrates have advanced to the point where work could be performed more appropriately by the private sector. Therefore, the Bureau has proposed to discontinue research in this area and results are transferred to the private sector. Has private industry indicated a willingness to take over research in this area? If not, are there incremental steps that the Bureau can undertake so the private sector might be willing to take over in the future? If so, what would be the funding requirements?

Answer: No minerals producer has indicated a desire to use this technology immediately. The generic objectives have been met and only short-term applied research is left. To assist the private sector in implementing the technology, the Bureau could generate additional data as required and perform a complete cost evaluation. Subsequently, a small pilot plant could be operated to further optimize process variables, test equipment and materials selections, and collect other data. Funding requirements for 3 years would be $500,000 for the cost evaluation and $2,000,000 for the pilot plant operation.

MINERALS INFORMATION SYSTEMS

Question: You have proposed to consolidate Minerals Information Systems with Data Collection, and General Administration. Proposed funding in FY'87 funding for Data Collection increases by about 1 million dollars from the adjusted FY'86 level. Proposed funding in General Administration in FY'87 increases about 600 thousand dollars over the adjusted FY'86 level. Is this consolidation essentially a management shift with all Mineral Information Systems functions picked up in the other elements?

Answer: This consolidation is a management shift, and all of the Minerals Information Systems functions are being picked up by Data Collection and Dissemination and by General Administration.

Question: If so, how can all of the functions of a 2.2 million dollar program be consolidated with a net increase of 1.6 million dollars?

Answer: The FY 1987 increase in the Data Collection and Dissemination program from the FY 1986 adjusted appropriation level is $1.9 million. The FY 1987 increase in General Administration from the FY 1986 adjusted appropriation level is $1.5 million. Included in the Data Collection and Dissemination FY 1987 increase is $1.6 million for transfer of the Minerals Information Systems program; included in the General Administration FY 1987 increase is $.6 million for transfer of the remaining portions of the Minerals Information Systems program, or a total of $2.2 million for the Minerals Information Systems program in FY 1987.

Question: If not, what Mineral Information Systems activities will be eliminated?

Answer: No Mineral Information Systems activities will be eliminated.

Question: Is the proposed increase in General Administration and Data Collection caused solely by this consolidation?

Answer: The proposed increase in General Administration and Data Collection is caused solely by this consolidation.

MINERAL RESERVES

Question: The traditional approach to estimating mineral reserves was to analyze estimates made by mine owners and operators about their reserves. The burden of accuracy of this data was put on mine owners. Obviously, the aggregate reserve estimates were questionable because of the different criteria used in making the estimates. To solve this problem, the Bureau has developed availability curves for 34 nonfuel minerals from site specific locations. Because of changes in technology, political conditions and cost of recovery, these estimates will change. How will the Bureau keep this data up to date?

Answer: For each mine and deposit, the data collected is of two types: static (does not change at all or to any great degree over time) and dynamic (data which changes frequently, in some cases, annually). With few exceptions, the dynamic data concerns mines which are, will be, or have been recently active. For the 34 minerals covered in this Bureau program approximately 250 domestic mines require dynamic data, and this data is being maintained current through the Bureau's Field Operations Centers annually.

Dynamic data for approximately 1500 mines and deposits in foreign countries is being collected through various sources including the Bureau's commodity and country specialists, mineral attache's at U.S. Embassies, data exchanges with other governments, and through actual site visitations tentatively scheduled on a four year cycle.

In addition, the Bureau has in place a system whereby annual indices on 11 engineering cost parameters in 92 countries will allow the maintenance of most of the cost data on each of the foreign mines and deposits.

Question: If a year to year cycle is used, will the Bureau change the cycle for a particular mineral if there is an important technological change or a serious change in political conditions?

Answer: The Bureau can and has, on several occasions, interrupted the scheduled cycle for updating specific minerals availability data in order to address ad-hoc issues involving important changes in technology as well as serious policy considerations. Two examples of specific issues for which required Bureau data was modified outside the normal update cycle include: 1) the petition by the domestic copper industry for import protection, and 2) alternative sources of needed capacity for manganese, platinum, and chromium due to export restrictions by South Africa. In both cases, the Bureau was able to update or modify required data to reflect the changes or alternatives through in-house methods, site visitations, and mineral attache's.

Question: Does this analysis also contain a supply analysis or just reserve data?

Answer: Included in the availability appraisals performed by the Bureau are estimates, by country, of recoverable resources (reserves) and annual capacities of product from these reserves. Estimation of the costs achieving various levels of this annual capacity over time by country, region, and for market economy countries provide in-depth supply analysis. As part of this supply analysis, physical, technical, political, and economic factors affecting the supply of the mineral commodities are identified and their impact measured.

HELIUM DEBT

Question: The Helium Act of 1960 requires the sales of helium by the Secretary of the Interior to be at prices adequate to cover all costs incurred and to repay with interest, funds appropriated or borrowed. With a projected debt of $925 million at the end of the fiscal year 1987 this provision has obviously not been followed. Can you briefly explain why little, if any, attempt has been made to repay the debt?

Answer: The helium fund debt was supposed to be self-liquidating within 25 year of enactment with a possible 10-year extension on the borrowings. Thus, in 1962, under the authority provided to the Secretary in Sec. 6(c) of the Helium Act of 1960, the price of helium was set at $35 per thousand cubic feet. This price was based on anticipated sales of helium through 1985, anticipated purchases of helium for conservation, and prevailing interest rates at the time, about 4 percent. Helium sales, however, fell from 776 million cubic feet (MMcf) in 1966 to only 193 MMcf in 1971 as a private helium production capability developed (as fostered and encouraged by the Act). With the decrease in sales, the Bureau was left with only its Federal agency customers. Consequently, authorized borrowings from the Treasury were required to fund the conservation purchases. Subsequently, because of newly discovered reserves and lower than anticipated demand, these purchases were terminated about 10 years earlier than planned. Furthermore, over the years the interest rate on the borrowings soared to double-digit figures increasing the debt substantially. In the last several years, emphasis on defense, space, and energy programs requiring helium has increased sales volume and revenue. At the same time, major program adjustments and cost savings also have been made. As a result, a total of $19 million has been repaid since 1978. It is significant to note that $4 million of the $19 million was repaid in 1985. Also during 1985, a $3.4 million out-of-court settlement was paid to National Helium Corporation from the Helium Fund. If not for the settlement, these funds could have been used to further reduce the debt.

Question: Did the debt become due September 13, 1985? If so, did the Secretary use his authority to extend the deadline?

Answer: The debt was due September 13, 1985, twenty-five years from the date of enactment. Following an extensive study of the options available, a determination was made that the repayment period would not be extended.

Question: Does the Secretary have authority to extend all parts of the debt?

Answer: The 10-year debt extension authority available to the Secretary applies only to the borrowings of $251.6 million and the interest accrued on the borrowings. It does not apply to the net worth debt or the interest accrued on this debt.

ADDITIONAL FUNDS

Question: Please provide for the record, in detail, your recommendations if Congress added an additional 5 million dollars, 10 million dollars and 15 million dollars in budget authority to the Bureau. To the Bureau's research programs only.

Answer: We believe that the amounts requested in the President's budget are the proper amounts to be appropriated given the overall National priorities and the overriding need to reduce the Federal budget deficit. However, if the Congress decides to provide additional funding in the amounts indicated, the Bureau would recommend that it be allocated as follows.

With an additional $5 million the Bureau would:

Enhance the Minerals Information program to provide higher quality data for existing commodities and provide consumption and use data coverage for raw materials increasingly being used in "high tech" applications such as fiberoptic glass, graphite fibers, and use of high-purity alumina with silicon carbides and nitrides ($.350 million).

Expand Mineral Data Analysis Land Assessment activities on Bureau of Land Management lands and Policy Analysis activities to study the economic impact of regulatory activities and proposals on the minerals industry ($1.0 million).

Expand Minerals and Materials Research to evaluate Alaskan resources; investigate processing technology for domestic manganese resources; investigate microwave energy applications for mineral processing; investigate technologies for water decontamination; and investigate technologies for the automated control of mineral processing ($1.450 million).

Enhance Health and Safety research in Ground Control to abate the risks of mountain bump failure; conduct basic research in real-time microseismic monitoring analysis for rock burst, coal bump, and outburst prediction in deep mines; conduct applied research for ground hazard assessment using remote sensing data from side-looking aperature radar (SLAR). Research would also be accelerated in geotomographic techniques for locating ground control hazards ($1.5 million).

Accelerate Mining Technology research in application of automation and robotics technology in mining ($.700 million).

If the $5 million were provided for research only, the $1.350 million for Minerals Information and Analysis would be used to accelerate Minerals and Materials Research in water decontamination and automated control of mineral processing and study mineral response to magnetic fields ($0.5 million); and expand Health and Safety Research in Industrial Hazards on application of robotic technology for a premine roof bolter to minimize the risk to workers at the face and improve productivity ($0.85 million).

With an additional $10 million, the Bureau would conduct the efforts listed above, and would:

Expand Minerals Information efforts to examine major mineral development activities in China and their impact on the U.S. minerals industry and markets and publish the results in a Mineral Perspective publication ($.15 million).

Further expand Mineral Data Analysis activities in Policy Analysis to investigate economic impacts of regulatory activities and proposals on the minerals industry; supplement the Annual Report with additional recurring publications covering such subjects as trade, international economic actions, regulatory actions, etc.; assist land management agencies in Alaska (National Park Service, Bureau of Land Management, Forest Service) with minerals data in all study phases from land assessments through land management plans; and accelerate data collection and systems development for the Minerals Availability System ($.82 million).

Accelerate Minerals and Materials Research on water decontamination; automated control for mineral processing; mineral response to magnetic fields; continue advanced materials research at the Idaho National Engineering Laboratory; and initiate work on technologies for soil decontamination ($1.7 million).

Expand Health and Safety Research in Industrial Hazards on application of robotic technology for a premine roof bolter to minimize the risk to workers at the face and improve productivity ($1.0 million).

Accelerate Health and Safety research under Mine Disaster Prevention on early fire detection systems, including both basic research and field testing ($.3 million).

Accelerate Mining Technology research on application of automation and robotics in mining and accelerate research under Controlling Mine Waste for premining prediction of acid mine drainage, application of biotechnology to acid mine drainage control, and acid mine drainage from metal mine waste ($1.030 million).

If the added funds were provided for research only, the Minerals Information and Mineral Data Analysis efforts would be replaced by:

Additional Health and Safety research under Mine Disaster Prevention for early fire detection; research under Respirable Dust for computer modeling of coal extraction systems to minimize dust generation; and research under Ground Control to enhance the engineering data base for coal mine ground control design and planning ($1.200 million).

Added efforts in Mining Technology on acid mine drainage problems and research under Conserving Land Resources for subsidence prediction and control ($.470 million).

Added efforts in Minerals and Materials Research on technology for water decontamination; automated control of mineral processing and mineral response to magnetic fields ($.750 million).

If the Congress provided an additional $15 million for the Bureau of Mines, the funds would support the efforts listed above and:

Additional efforts in Minerals Information to provide increased commodity coverage ($.150 million).

Additional efforts in the Mineral Data Analysis program to further accelerate data collection for comparative cost studies in the Minerals Availability System; enhance the Mineral Industry Location System (MILS); complete studies of the Juneau Mining District on schedule; and further increase efforts to investigate economic impacts of regulatory activities and proposals on the minerals industry ($.940 million).

Additional Minerals and Materials Research to further accelerate work on water decontamination, automated control of mineral processing and mineral response to magnetic fields; augment advanced materials research efforts at the Idaho National Engineering Laboratory; and accelerate efforts on technologies for soil decontamination ($1.900 million).

Additional Health and Safety research under Mine Disaster Prevention to provide better definition of parameters and requirements for escape breathing apparatus, particularly for a belt-wearable self-contained self rescuer; and research under Respirable Dust for computer modeling of coal extraction systems to minimize dust generation; and research under Ground Control to enhance the engineering data base for coal mine ground control design and planning ($1.0 million).

Additional Mining Technology research in subsidence control and prediction ($0.810 million).

If the $15 million were directed to research programs only, the Minerals Information and Mineral Data Analysis efforts would be replaced by:

Additional Minerals and Materials Research to further accelerate work on water decontamination, automated control of mineral processing and mineral response to magnetic fields; augment advanced materials research efforts at the Idaho National Engineering Laboratory; and accelerate efforts on technologies for soil decontamination ($1.450 million).

Additional Health and Safety efforts in Mine Disaster Prevention to accelerate work on belt-wearable self-contained self-rescuers; Respirable Dust research to conduct in-mine tests to verify computer models for dust level prediction; Ground Control research in prestressing and pre-reinforcing coal mine roofs in conjunction with stress control in multiple entry development; research under Physical and Chemical Agents in monitoring health hazards of diesel equipment; and Industrial Hazards research on an automated ventilation system ($2.800 million).

Additional Mining Technology efforts on automation and robotic applications for coal mining, acid mine drainage, and subsidence ($.750 million).

	Summary of additional efforts	Additional Efforts to be conducted with:					
					Research only		
Subactivity/Program Element	Proposal	$5 million	$10 million	$15 million	$5 million	$10 million	$15 million
Minerals Information							
Data Collection & Dissemination	Data Quality Enhancement	$200,000	$200,000	$200,000			
Data Collection & Dissemination	High Tech Materials Coverage	$150,000	$150,000	$150,000			
Data Collection & Dissemination	Mineral Perspective - China		$150,000	$150,000			
Data Collection & Dissemination	Increase commodity coverage			$150,000			
Mineral Data Analysis							
Land Assessment	BLM Land Assessments	$800,000	$800,000	$800,000			
Policy Analysis	Increased Regulatory Activities	$200,000	$350,000	$490,000			
Policy Analysis	Supplement Annual Report		$220,000	$220,000			
Mineral Investigations	Assist other agencies - Alaska		$200,000	$200,000			
Minerals Availability System	Data and systems development		$250,000	$500,000			
Minerals Availability System	Enhance MILS			$250,000			
Mineral Investigations	Juneau Mining District			$300,000			
Minerals and Materials Research							
Mineral Resources	Evaluate Alaskan Resources	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
Mineral Resources	Processing Technology-Domestic Manganese	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000
Minerals Technology	Microwave applications for min. process	$200,000	$200,000	$400,000	$200,000	$400,000	$400,000
Mineral Resources	Titanium from domestic resources	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000
Minerals Technology	Water decontamination	$200,000	$400,000	$800,000	$400,000	$800,000	$1,200,000
Materials	Automated control-mineral processing	$300,000	$600,000	$900,000	$400,000	$750,000	$1,000,000
Minerals Technology	Mineral Response Magnetic Fields		$200,000	$400,000	$200,000	$400,000	$400,000
Materials	Advanced Materials Research (INEL)		$600,000	$1,200,000		$600,000	$1,200,000
Recycling	Soil Decontamination		$400,000	$800,000		$400,000	$600,000
Health and Safety Technology							
Ground Control	Mountain bumps & hazard assessment	$1,500,000	$1,500,000	$2,000,000	$1,500,000	$1,500,000	$1,500,000
Industrial Hazards	Automated premine bolter		$1,000,000	$1,000,000	$850,000	$1,000,000	$1,000,000
Mine Disaster Prevention	Early fire detection & SCSR		$300,000	$600,000		$500,000	$1,000,000
Respirable Dust	Computer modeling of coal ext. systems			$200,000		$200,000	$1,000,000
Ground Control	Engineering data base for mine design					$500,000	$1,000,000
Physical and Chemical Agents	Diesel exhaust hazards						$500,000
Industrial Hazards	Automated ventilation system						$500,000
Mining Technology							
Advanced Mining Technology	Mining automation & robotics	$700,000	$1,000,000	$1,000,000	$700,000	$1,000,000	$1,250,000
Controlling Mine Waste	Acid Mine Drainage		$730,000	$730,000		$800,000	$1,000,000
Conserving Land Resources	Subsidence			$810,000		$400,000	$700,000
		===========	===========	===========	===========	===========	===========
		$5,000,000	$10,000,000	$15,000,000	$5,000,000	$10,000,000	$15,000,000

BLM WILDERNESS STUDIES

Question: As a result of the April 18, 1985 "Sierra Club vs. Watt" decision Secretary Hodel has decided to reinstate approximately 1.5 million acres of Wilderness Study Areas to the Bureau of Land Management's Wilderness Study Process. How does this decision affect the Bureau's ability to complete its mineral surveys?

Answer: The Bureau of Land Management (BLM) originally requested that the Bureau of Mines schedule approximately 0.5 million acres for mineral surveys in FY 1987. At that time it was felt this would be sufficient to complete mineral surveys on all BLM areas required by Section 603 of the Federal Land Policy and Management Act. The Bureau's FY 1987 budget includes $2.5 million to do the required studies.

Subsequently, 1.5 million acre was reintroduced into the wilderness planning process by the "Sierra Club vs. Watt" U.S. District Court decision which overturned a Secretarial order to drop areas of "split-estate" conflicts and areas under 5,000 acres from wilderness consideration. Discussions with the BLM since submission of the President's budget indicate that instead of 0.5 million acres a total of 1.2 million acres will need mineral surveys by the Bureau. The additional 700,000 acres is the "preliminarily suitable" portion of the reintroduced areas. The distribution of this acreage is as follows:

State	FY 1987 BUDGETED ACREAGE	ADDITIONAL ACREAGE
Arizona	-	508,900
California	16,900	-
Colorado	36,800	-
Idaho	4,800	-
Montana	15,200	-
Nevada	42,600	-
New Mexico	171,100	-
Oregon	141,700	-
Utah	-	200,300
Wyoming	29,600	-
	458,700	709,200

In order to meet BLM's established planning schedule and the 1991 legislative deadline, the BLM has requested that the Bureau initiate mineral surveys on the total remaining acreage in 1987 or as soon as possible. The Bureau cannot complete the additional studies under the current budget.

Question: Are funds included in this budget for this additional work? If not, what is required and will the Department be sending up a budget amendment?

Answer: The current FY 1987 budget does not include funds for this additional acreage. Approximately half the areas for the additional 0.7 million acres are less than 5,000 acres each. Smaller areas tend to be more expensive to examine on a cost per acre basis. In addition, areas of "split-estate", where mineral rights are privately owned, are also somewhat more expensive to examine on a cost per acre basis. It is estimated, therefore, an additional $1.5 million would be required to meet this request. At this time, the Department has not made a decision how this would be funded.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

Question: The Administration's budget request for Health and Safety Technology shows a reduction of $7.5 million from the 1986 adjusted appropriation. The Bureau's past research efforts have certainly played an important role in reducing the number of occupational deaths and injuries in the mining industry. Won't this significant reduction in these program areas affect the quality of the Bureau's health and safety research efforts in the future?

Answer: While this reduction in funding will result in some research efforts being conducted over longer periods of time, it also reflects the completion of other research projects to the point where industry should take the remaining steps to apply the research results. The Bureau of Mines will continue to perform the highest quality research that will provide the bases for significant reduction of health and safety risks for the Nation's miners by concentrating on highest priority programs. Past budget restraints resulted in reducing the Bureau's contract research, but did not significantly affect the Bureau's highly qualified professional personnel. Successful research accomplishments in the past have helped to reduce the accident and injury record of the mining industry, and thus enabled the Bureau to focus research efforts in selected areas. Twenty-eight percent or $2.1 million of the $7.5 million reduction is a result of discontinuing grant funding for the Mineral Institute's Generic Center for Respirable Dust.

Question: The Mine Disaster Prevention program, a new program within the Health and Safety Technology account as proposed in the budget request, would be funded at a level of $2.89 million in 1987. This new program consolidates activities previously funded under three separate programs--the Fire and Explosion Prevention program, the Methane Control program, and the Postdisaster Survival and Rescue program. Combined funding for these three programs in FY 86 is $6.29 million. What research areas of these three programs will be reduced or eliminated in the new Mine Disaster Prevention program? Where will the savings anticipated as a result of this consolidation be achieved?

Answer: The research areas of the Fire and Explosion Prevention, Methane Control, and Postdisaster Survival and Rescue programs that will be deferred, eliminated, or reduced when consolidated in the new Mine Disaster Prevention program are as follows:

Fire and Explosion Prevention: The conduct of large scale and in-mine trials of prototype detection/suppression systems with emphasis on early detection will be deferred.

Methane Control: Improvements in technology to drain methane from working areas and return airways by cross measure techniques will be eliminated. Also, investigations leading to a greater recovery of methane in advance of mining will be eliminated.

Postdiaster: Even though first generation oxygen self-contained self-rescuers (SCSR) have been completed, research to evaluate and identify deficiencies in these SCSRs to make them smaller and lighter will be substantially reduced.

The consolidation of these program elements does not result in any savings due to program economies. Rather, the purpose for the consolidation was to coordinate research areas with closely related objectives.

Question: The proposed FY 1987 budget eliminates funding for the 31 Mineral Institutes again this year. Congress has funded this valuable program and each year the Administration has eliminated funding. Why did the Administration not request any funding for the Federal share of this program again this year?

Answer: The Mineral Institute program is now well established at State-supported institutions. This Administration is committed to control spending and to regain fiscal integrity. Accordingly, no Federal funding was requested inasmuch as State and private funding is expected to be available to continue activities considered essential. Further, many projects at the 5 Generic Mineral Technology Centers are presently funded on a multiyear basis to provide continuity of effort and assurance of reaching program targets.

Question: The budget justification states that in the future the Institutes should rely on funding from the States and private industry who are the primary beneficiaries of these programs. How do you reach the conclusion that it is the States and private industry who are the primary beneficiaries of the work undertaken at the Mineral Institutes?

Answer: The Mineral Institutes are located at State institutions that are in close touch with the needs of State and local governments and industrial activities within their States. Accordingly, research projects and employment opportunities should be most beneficially coordinated at the levels of intimate contact and programs of research and education adjusted to meet specific needs at those levels.

Question: Don't you think that the country as a whole benefits from the basic research and education in mineral sciences and engineering conducted at the Institutes?

Answer: Indeed, the Mineral Institutes program was initiated to provide seed money to encourage such benefits through the development of mineral-related government/industry/university research and graduate education programs at selected State colleges and universities. The States have responded and the programs are in place. The majority of the support at these schools comes from nonfederal sources. Accordingly, this program is no longer an appropriate use of Federal funds.

Question: The quality of this country's surface water and groundwater is of great concern to me and I feel strongly that research in this area would be a priority for both government and private researchers. Your budget justification points out that "the degradation of the surface water and ground water quality, the physical loss of water supplies, and surface disposal of solid wastes are widespread problems associated with mining . . ." In light of this statement, how do you justify a 47% decrease in funding for Resource Conservation Technology programs?

Answer: A reduction of $490,000 was proposed for Conserving Land Resources reflecting the diminished funding requirements for research on a subsidence prediction model and modification of that model to permit adaptation to other specific local conditions. The decrease of $990,000 for Controlling Mine Wastes results from reduced funding requirements due to accelerated research that was begun with funds that Congress added to the FY 1986 budget for acid mine drainage research. The current budget request is directed at continuing a reasonable level of research activity to address acid mine drainage issues in balance with other environmental research concerns such as subsidence and mine waste issues.

QUESTIONS SUBMITTED BY SENATOR DENNIS DECONCINI

Question: As you know, the Congress added $1 million to the research budget for the Bureau in FY 86 to undertake a demonstration pilot project on in situ copper leaching at Casa Grande, Arizona. Could you update the Committee on the progress the Bureau has made to date on the initiation of this project? What steps are necessary to prepare for the actual demonstration?

Answer: The Bureau received official notice of the final budget including the $1 million add-on for the in situ mining demonstration in December 1985. The Bureau immediately began conducting laboratory tests at the Twin Cities Research Center on copper oxide ore from the Casa Grande area to obtain information that would be required as part of the engineering data for a demonstration project. In conjunction with this in-house effort, a Statement of Work Package was prepared to contract for the development of a generic design/engineering manual from which site specific operations may be designed and economically assessed. An expression of interest statement was announced in the March 13, 1986 edition of the Commerce Business Daily. We expect a contract to be awarded by September 30, 1986.

The following steps are necessary to prepare for a pilot scale in situ mining demonstration.

A. Develop a draft generic design/engineering manual.

B. Obtain site specific input data to generate site specific engineering designs.

C. Use the generic manual to design a site specific commercial operation based upon site parameters.

D. Assess the economic viability of the site specific design.

E. Complete a design/engineering study for the site specific pilot scale demonstration

F. After these five steps, the governments's responsibility in this demonstration would be completed and the private sector could assume and complete the demonstration.

Question: I note no funds have been requested in your FY 87 budget to continue this work beyond 1986. Knowing that the $1 million was to fund the first year of a three to five year demonstration project, how do you justify the fact that no money was requested to continue this work in FY 87?

Answer: The initial phase of a design and engineering contact for an in situ copper mining pilot demonstration will be awarded in FY 1986 and will be completed in FY 1987. Since demonstration efforts are best undertaken by the private sector, the Bureau is concentrating on providing industry with information on the feasibility of such an in situ operation. On completion of the Bureau's efforts, the private sector can move forward with the demonstration project.

Question: Can you provide the Committee with an estimate on how much money would be necessary to continue substantial work on the in situ demonstration project in Fiscal Year 1987?

Answer: Up to $5 million could be utilized in FY 1987 to continue the In Situ Copper Demonstration Project beyond the engineering studies of site feasibility which were funded with $1 million in FY 1986. The next phase of the project could include: construction of a pilot plant, drilling of injection wells, instrumentation for testing, and environmental studies including specific research to determine how to minimize any adverse effects on ground and surface water resources during recovery of the copper as well as how to dispose of the spent leach solutions in ways which would be environmentally acceptable. The state of Arizona would be a primary beneficiary of this research and we suggest that the state could join with industry and the Bureau in funding the remainder of the In Situ Demonstration Project.

Question: Could you briefly describe for the Committee what the Bureau envisions for the demonstration project?

Answer: The Bureau envisions the pilot scale demonstration to be small portion (unit cell) of a proposed commercial scale operation. The unit cell would consist of a leach solution injection and recovery system constructed the same as for a commercial scale operation. A portable processing plant (solvent extraction-electrowinning) would be on site to produce copper from the pregnant leach solution. The size of the pilot scale demonstration would take into account site specific information and geologic variability so as to predict the economic viability of a full scale commercial operation at that location.

Question: I understand that there are around 20 copper deposits in the United States which might respond to in situ mining and that all of them are located in Arizona. Would you agree with that statement?

Answer: There are approximately 18 copper oxide deposits and 13 mixed oxide/sulfide deposits in Arizona. One copper oxide/sulfide deposit is located in Utah and one in New Mexico. These deposits provide the resource potential for in situ oxide leaching copper.

Question: It has been estimated that these copper deposits contain reserves between 3 to 5 billion tons with an average grade of about 1.5% copper, representing about 15-30 million tons of copper metal. Even at 50 percent recovery this is a major resource which justifies further research to determine if development is economically feasible. If all 20 were to produce 20,000 tons of copper per year, the total would be 6 to 8 percent of the Free World consumption. Do you think these figures are accurate assessments of the the case?

Answer: Our estimation of the potential resource indicates an oxide resource of around 6 billion short tons averaging 0.38% copper. In addition, we estimated that the mixed sulfide/oxide resource from undeveloped deposits is nearly 4 billion short tons averaging 0.52% copper. Contained copper for the oxide and mixed resources are 32 and 31 million short tons copper respectively. The figures presented here may be an understatement of the resources because there are numerous deposits that exist in public domain with little or no information. Percent of recovery of copper will vary with a particular deposit. Although little data is available on recovery, a demonstration project would provide such data.

Question: I understand the copper industry in this country is unable to plan in situ copper mining projects because there is little or no information available on operating costs. In the past, research efforts have been scattered among a number of deposits, and for this reason there is no internally consistent set of data on which to base a feasibility study. Would you agree? Would you also agree that a single, full scale test project has the potential of providing industry with just the type of information it needs most?

Answer: Previous research projects have been scattered, and no internally consistent set of data exists upon which to base a feasibility study. One of the major deterrents for the U.S. copper mining industry to planning in situ copper mining projects is the paucity of data on operating costs. Another major uncertainty is the recovery percentage that an operator might obtain from a leaching operation. Data from a well-engineered full scale test project would be of benefit to the U.S. copper mining industry in assessing the economic viability of using in situ mining in low grade oxide copper deposits. However, differences in geological characteristics of specific sites may vary causing the applicability of the data to vary.

Question: Referring back to the 20 plus oxide copper deposits, since all but one of these deposits would be tested by drilling large diameter holes vertically downward from the surface, it seems that a surface test would be more typical and of more benefit to the majority of the known oxide copper deposits in Arizona. Would you agree?

Answer: We agree that most of these deposits would be mined in situ through vertical boreholes. However, one of the main purposes of the generic design manual is to evaluate several potential mine designs from the standpoint of both economics and technology. Mining in an unsaturated deposit may require that an underground solution collection system be used in conjunction with solution injection through vertical boreholes. An analysis using the generic design manual could determine the mining method to be used in the demonstration test.

Question: Could you describe the type of project that could be envisioned for the Santa Cruz property? Could you also describe work that is ongoing at another site which is about 30 miles from Casa Grande and explain the process that is being utilized there?

Answer: The type of project that could be envisioned for the Santa Cruz property is one that would require the drilling of injection/recovery wells from the surface into a saturated ore body. All work would be accomplished from the surface. However, this assessment must be confirmed through an analysis using the generic design manual. This analysis would consider technical, economic, and environmental factors in arriving at the best in situ mining design for the Santa Cruz property. No work has been conducted on the Santa Cruz site for in situ mining and there are no underground workings at the Santa Cruz deposit.

The second site referred to is the Noranda Lakeshore mine. Modified in situ mining of block caved underground mine workings has been conducted on a commercial scale at the mine since early 1983. In addition, a true in situ mining test has been designed in which leach solutions will be injected into unsaturated, virgin oxide copper ore through injection holes drilled from underground openings and the pregnant leach solutions will be collected in other underground openings and then pumped up the mine shaft to the surface.

Question: How far along is that project? How much money has been spent to date there? Is that deposit typical of most copper reserves in Arizona? Do you believe that work will continue with or without Federal assistance?

Answer: Noranda's test program was initiated in 1983 and is entering into its first true in situ mining test phase. Noranda has spent approximately $842,000 on preliminary test work over the past two years, with an additional amount of $80,000 budgeted for 1986. Both the Lakeshore and Santa Cruz deposits are oxide copper deposits, typical of porphyry deposits in the Southwestern part of the United States. The major difference between the two deposits is that one is saturated and the other is not.

Noranda has indicated that it would continue a company confidential research effort without Federal assistance at the Lakeshore property.

Question: I don't have to tell you that the environmental aspects of an in situ test are paramount. As I understand it, the primary objective would be to protect water quality. But, wouldn't all environmental aspects have to be reviewed to insure the proper protections? Can I safely assume that the test project at Casa Grande will involve full environmental permitting and that the project will be designed to produce information of maximum value for assessing the environmental aspects of other in situ mining projects?

Answer: The environmental aspects of an in situ copper leaching project are of paramount importance in determining whether an economically viable operation can be conducted. Although water quality is the most important factor, all environmental aspects would need to be reviewed before proceeding with any site activities. The environmental monitoring of in situ test work at Casa Grande would involve the level of environmental permitting consistent with all the Federal, State, and local requirements and would be conducted in such a way to provide environmental protection for this site and gather data for assessing the environmental aspects of other in situ mining projects.

Question: Are there other types of copper deposits or deposits of other metals which might also benefit from the in situ technology?

Answer: The Bureau's current activities are directed toward oxide copper deposits. Research to date has not demonstrated that in situ technology will be applicable to the more difficult to leach but more abundant sulfide copper deposits. Other metals for which in situ technology may be technically applicable in the future include manganese, nickel-cobalt, gold-silver, molybdenum, tungsten, and vanadium; however, the economics of recovering these metals by in situ mining could prevent the technique from being used commercially.

Question: Are there other technologies which might benefit from the scientific data derived from an in situ copper mining test?

Answer: There are other technologies which might benefit from this work. Research on the movement of fluid through fractured crystalline materials would have potential application to the radioactive waste disposal problem. Results obtained through Bureau research on in situ mining could be used in conjuction with research results from other government agencies and private industries to gain an understanding of fluid flow in mineral deposits. Information gained from understanding and controlling fluid movement in rock could have significant and direct application for reducing mine dewatering problems in metal, non-metal, and coal mining operations. Information gained would have direct application to the detection and location of fluid movement and removal or stabilization of metals in hazardous waste dumps.

Question: When will the field testing start on the demonstration project assuming the Bureau secures necessary funding?

Answer: The Bureau is currently funded only for the engineering and design effort. The FY 1987 Budget recommendation is that Federal government involvement should be concluded after completion of the initial effort and that industry should assume responsibility at that time. However, if the Bureau were directed to carry out the demonstration project and provided the necessary funding, a pilot scale field demonstration could start in FY 1988.

Question: If the test is successful, following the test, how long would it take to develop a full-scale in situ copper mining industry in the U.S. which could compete with copper mined by conventional methods?

Answer: There will be two measures of the success of the test. The first is technical success, including environmental considerations. Success here would be based on whether we were able to recover a significant proportion of the copper reserve by in situ techniques. The second measure, economic success, is influenced by outside factors, namely the global economics of copper. An operation which is economical this year may be uneconomical next year, or vice versa, depending on global economics. Assuming technical and economic success, and resulting industry interest in in situ mining, full-scale in situ copper mining at several sites should be possible in three to five years. A primary advantage of in situ mining is the relatively small plant and capital investment required. The huge investment for heavy equipment, stripping, flotation mill, and smelter required for surface mining is not required for in situ mining. The most time consuming factor in gearing up for in situ mining may well be the environmental permit process.

Question: Is any work being conducted in this field in other countries?

Answer: Chile is the only country that we know of that is investigating true in situ mining technology.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

In FY 1986, $700,000 was appropriated for the Bureau of Mines Materials and Recycling Technology budget to undertake a cooperative, cost-sharing program with St. Joe Minerals Corporation to test St. Joe's Flame Reactor technology. Recognizing that this program is still in its infancy, I would, nonetheless, be interested for the Record in your response to the following questions:

Question: Beyond the work being planned on electric arc furnace dust (EAF) in connection with the FY 1986 $700,000 appropriations, what are the broader applications and benefits of the Flame Reactor technology?

Answer: The flame reactor appears to be an efficient method for reducing oxides to metals. Once development is completed and the method is demonstrated to be technically and economically feasible, it could find broad application for the treatment of wastes, including those containing strategic and critical minerals, and for recovery of metals from ores. Fumes produced during the manufacture of stainless steel could also be processed in a flame reactor. These dusts typically contain chromium as well as other easily oxidized metals that were used to produce the stainless steel. As in the case of the zinc bearing electric arc furnace steelmaking dusts, the flame smelter would reduce the metal oxides in the dusts to metal leaving an inert slag. The same technique could be applied to slags and to the solids part of sludges. Most oxide ores or concentrates currently smelted, including iron ore and chromites, could potentially be flame smelted.

Question: How would continued investigation into these broader applications enhance the Bureau's objectives with respect to recovery of critical and strategic minerals from EAF dust and other wastes?

Answer: A key element of the Bureau of Mines mission is to make available technology that will encourage the conservation of metals. Continued investigation in the broader applications of the flame smelting technology could prove the applicability of the technology to a number of wastes for which there currently is no commercial recovery process available. It could also demonstrate that one technology, and therefore a single plant, can process a variety of wastes, thereby encouraging the construction of larger plants with their attendant economies of scale.

Question: If funds are appropriated for fiscal years 1987 and 1988 for further Flame Reactor testing, how would the Bureau plan to spend these funds?

Answer: The funding included in the President's budget request for Minerals and Materials Research is adequate to support a balanced program of long-term, high-risk research of wide generic benefit addressing the problems of recycling technologies. The Bureau did not include a request for funding to continue this work in FY 1987 in the belief that the work funded in FY 1986 would provide sufficient data to allow further development by the private sector. The Bureau has the necessary capability to perform the work described should funds be appropriated for that purpose. If funds are appropriated to continue this project in FY 1987, the Bureau would extend the flame reactor technology to the recovery of strategic and critical metals from a variety of solid wastes, such as fumes and slags. It would also investigate technology for the recovery of metallic zinc, rather than zinc oxide, from electric arc furnace steelmaking dusts.

SUBCOMMITTEE RECESS

Senator McClure. The subcommittee will stand in recess until 2 p.m., Tuesday, April 8, 1986, when we will review the fiscal year 1987 request for energy conservation.

Mr. Horton. Thank you, Mr. Chairman.

Senator McClure. Thank you.

[Whereupon, at 3:10 p.m., Thursday, March 27, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, April 8.]

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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

TUESDAY, APRIL 8, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:05 p.m., in room SD-138, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senator McClure.

DEPARTMENT OF ENERGY

ENERGY CONSERVATION

STATEMENT OF DONNA R. FITZPATRICK, ASSISTANT SECRETARY FOR CONSERVATION AND RENEWABLE ENERGY

ACCOMPANIED BY:
- **ALAN J. STREB, DEPUTY ASSISTANT SECRETARY FOR CONSERVATION**
- **FRANK M. STEWART, DIRECTOR, OFFICE OF STATE AND LOCAL ASSISTANCE PROGRAMS**

PREPARED STATEMENT

Senator MCCLURE. Good afternoon. This is the time scheduled to review the fiscal year 1987 request for energy conservation whose request totals $39,433,000. This is a reduction of $388,079,000 from the fiscal year 1986 sequestered level. The State and local assistance programs are being funded through the use of $2.1 billion of Exxon overcharge funds.

Testifying on behalf of the administration today is the Assistant Secretary for Conservation and Renewable Energy, Miss Donna R. Fitzpatrick.

If you will please introduce the associates who may be helping you today, we will proceed directly to the questions. Your full statement will be placed in the record at this point.

[The statement follows:]

STATEMENT OF DONNA R. FITZPATRICK

Mr. Chairman and Members of the Subcommittee:
I appreciate the opportunity to appear before you today to discuss the FY 1987 budget request for the Conservation programs of the Department of Energy. The budget for these programs is consistent with the goals and objectives of national energy policy and is fully responsive to the Administration and Congressional goals of deficit reduction.

The Administration's overall energy goal is to foster an adequate supply of energy at reasonable cost. We can achieve that goal through the combination of energy stability, energy security, and energy strength. Energy stability has been achieved over the past five years. Our energy security is growing stronger day by day. Our objective for the immediate future is to build this Nation's energy strength, making full use of its vast natural resources and the daring and ingenuity of its citizens. Our approach includes supporting advances in energy conservation as well as possible energy supply sources of the future such as renewable energy.

Deficit reduction is perhaps the preeminent domestic economic imperative today and the Department fully recognizes that fact. For this reason, we are doing all we can to concentrate increasingly scarce resources on those programs and projects that directly fulfill a responsibility of the Federal government and truly require Federal assistance. If we are to achieve our overriding goal of deficit reduction we cannot afford to continue to allocate scarce Federal resources to activities where the rationale for continued Federal involvement is weak and where State and local organizations or private industry can and should take over responsibilities presently borne by the Federal government. Also, we cannot permit programs or projects to continue with Federal support unless they meet a high priority national need. We have no choice under the current and necessarily strict fiscal regimen but to concentrate scarce resources where they show promise of bringing the greatest benefits.

As we seek ways to gain the greatest benefit from our limited resources, we will investigate cooperative research and development ventures with private industry consortia. This approach to R&D funding has the potential to provide greater leverage of Federal funds and to assure that resources for applied R&D are focused on high priority areas where there is private commitment to follow through with promising technologies. It can also foster increased technology transfer by involving industry earlier in the R&D sequence. One of our early steps will be the publication of a general solicitation of industry interest in forming R&D ventures in the various conservation and renewable energy program areas.

In order to contribute to the achievement of our goals, the FY 1987 budget request for energy conservation and development (R&D) programs will continue to support development of a mix of technologies that can contribute to both energy supply and improved end-use efficiency. The FY 1987 budget request for Conservation programs under this subcommittee's jurisdiction totals $76.2 million. I would like now to discuss each of our major program areas in the Energy Conservation appropriation and its related FY 1987 funding request.

Buildings and Community Systems

The buildings sector accounts for approximately 36 percent of our total national energy consumption. In residential buildings, space heating, water heating, and refrigeration use the largest amounts of energy; in commercial buildings, space heating, lighting, and air conditioning use the largest amounts. Significant energy savings can be achieved by improving the efficiency of these and related building functions. Our Buildings and Community Systems program conducts research to advance the technologies that will make these savings possible and makes the results of that research available to the private sector. This program also implements building energy regulatory programs mandated by Congress.

We are requesting $14.1 million for Buildings and Community Systems research, technical transfer, and regulatory activities in FY 1987. This is $23.1 million less than the FY 1986 appropriation. Of the funds requested, $9.5 million are for research and development projects, $2.2 million are for Congressionally mandated regulatory programs, and $2.4 million are for program direction.

The research and development funds are for three subprograms: Building Systems, Technology and Consumer Products, and Analysis and Technology Transfer. We are requesting $3.5 million for the Building Systems subprogram to continue research in walls; roofs; and indoor air quality, infiltration, and ventilation. The wall research will include thermal testing of different types of walls, evaluation of wall thermal anomalies, evaluation of the influence of mass on energy use, and study of foundation designs and earth contact.

Our roof research focuses on improving the energy efficiency and durability of roofs. In FY 1987, research areas will include testing the thermal performance of high and low efficiency roofs under field conditions, developing diagnostic probes for quantitative measurements of moisture in roof systems, and developing a mathematical model to predict thermal performance of composite roofs.

In FY 1987, we will continue our investigations of ways to maintain acceptable air quality in energy efficient buildings. These efforts will include studies of radon entry and mitigation methods and of the generation and distribution of biological aerosols. We will also continue development and evaluation of infiltration, ventilation, and air leakage measurement systems.

We are requesting $5.0 million for the Technology and Consumer Products subprogram in FY 1987. The purpose of this research is to provide technologies needed to develop more efficient building energy conversion processes and equipment. The greatest promise for significant energy savings in building equipment is in the areas of thermally activated heat pumps and advanced lighting. Therefore, the requested funding is for continued research in those areas.

In thermally activated heat pumps, we will continue research to advance the technologies for engine-driven and absorption systems. In lighting equipment research, we will continue to investigate advanced light sources with emphasis on magnetically loaded lamps and electrodeless gigahertz lamp discharges. We will also continue to study the optimized integration of lighting system components into the total building.

The purposes of the Analysis and Technology Transfer subprogram are to provide the analytic tools and information needed for program planning and to ensure that research results and information on conservation in buildings are transferred to potential users. We are requesting $1.0 million for this subprogram. This funding will support centralized technology transfer activities, continued U.S. participation in International Energy Agency agreements, technology assessments, and policy and program analyses at reduced levels from FY 1986.

The Congressionally-mandated activities for which we are requesting funding are Appliance Standards and the Federal Energy Management Program. For Appliance Standards, we are requesting $1.2 million to support research and analysis on the impacts of appliance standards and a reevaluation of those standards previously issued. This reevaluation is required by a recent U. S. Court of Appeals decision as well as by the Energy Policy and Conservation Act.

The Federal Energy Management Program is a coordinated effort to reduce energy use by Federal agencies, conserve scarce fuels, and transfer utilization efficiency information among the agencies, state and local governments, and the private sector. We are requesting $1.0 million to continue implementation of this subprogram in FY 1987. These funds are needed to support monitoring program activities, reporting results to the President and Congress, and providing technical support and assistance to participating agencies.

We are requesting $2.4 million for Program Direction. This funding will provide salaries, benefits, and travel for a staff of 45 FTEs to manage the Buildings and Community Systems program.

Industry

The FY 1987 budget request for the Industrial Programs is $15.6 million. These funds will be used to carry out work in four subprograms: Waste Energy Reduction, Industrial Process Efficiency, Industrial Cogeneration, and Implementation and Deployment. The goal of these activities is to encourage improved energy efficiency in industry, which accounts for approximately 37 percent of total U.S. energy consumption. The Department's activities in the industrial area consist of a comprehensive program of carefully targeted technological research and devlopment, combined with technology of carefully targeted technological research and development, combined with technology transfer and other implementation efforts. The R&D activities focus on selected high risk ventures which are not likely to be pursued by the private sector alone and most are carried out by private institutions operating under cost-shared contracts or cooperative agreements with the Department.

The Waste Energy Reduction subprogram supports research and development on improved combustion efficiency through oxygen enrichment, improved burner designs, and sophisticated combustion controls; waste heat recovery by development of industrial heat pumps, high temperature recuperators, and ceramic materials for heat exchangers; and research into waste materials utilization and CO_2 generation and recovery. In FY 1987, $6,300,000 is requested for this subprogram.

The Industrial Process Efficiency subprogram includes laboratory testing of technology to produce steel sheet directly from molten metal; R&D for advanced sensors and control systems; advanced separation systems; and testing of electrode materials for process electrolysis. In FY 1987, $5,479,000 is requested for this subprogram. These new technologies hold great promise to reduce the energy required in basic industrial processes.

The Industrial Cogeneration subprogram focuses on research for coal/water slurry-fired diesel cogeneration systems with high electrical to thermal output and direct conversion of thermal to electrical energy. In FY 1987, $1,500,000 is requested in this area.

The Implementation and Deployment subprogram supports a number of activities for technology transfer. These include targeted workshops, seminars and technical symposia, and the development of written materials focusing on technologies developed with DOE assistance. Altogether, $500,000 is requested for this subprogram.

We are requesting $1.8 million for program direction to support 26 full-time equivalent positions to manage the Industry program.

These technologies, if successfully brought into production, can provide U.S. industry with important improvements in productivity and help regain technical leadership positions vital to our success in world markets.

Transportation

The FY 1987 budget request for the Transportation program is $19.8 million to continue R&D in four subprograms: Vehicle Propulsion R&D; Alternative Fuels Utilization; Electric and Hybrid Vehicle R&D; and Advanced Materials Development. These activities focus on the transportation sector, which accounted for approximately 27 percent of total U.S. energy consumption and, more importantly, 61 percent of U.S. petroleum consumption, up from 51 percent in 1973. The objectives of the Transportation program are to contribute to improved energy efficiency and enhanced diversity of available end-use technologies. These programs provide the technology base necessary to support private sector efforts to develop technologies which are either more efficient or serve as alternatives to those based exclusively on petroleum.

In FY 1987, $6.5 million is requested for the Vehicle Propulsion subprogram which supports research and development of high efficiency and advanced heat engine technologies. This area includes R&D on the automotive gas turbine and the heavy duty adiabatic (uncooled, minimum friction) diesel engines. The goals for both the gas turbine and the adiabatic diesel projects are to establish proofs-of-concepts and develop advanced heat engine technologies which have at least a 30 percent improvement in fuel efficiency over comparable conventional engines, meet emissions, safety, and noise standards, have alternative fuels capability, and have competitive life-cycle costs. Funds will be used to initiate a follow-on gas turbine component development project and to continue component evaluations of developed ceramic structures in a single-cylinder adiabatic diesel engine test cell, as well as the actual design by industry of a baseline multi-cylinder adiabatic diesel system.

For the Alternative Fuels Utilization subprogram, $1.3 million is requested, which is designed to establish a utilization oriented data base for alternative fuels in both contemporary and advanced heat engines. These funds will be used to conduct performance investigations into the fundamental behavior of synthetic fuels in conventional and advanced single- and multi-cylinder engines; to develop test synthetic fuels for project activities and the scientific community; and to continue data collection and analysis of the methanol-fueled vehicle fleet operations.

The Electric and Hybrid Vehicle subprogram request is $4.1 million which supports R&D activities necessary to advance the technologies of batteries and propulsion systems for passenger car and commercial van or light truck applications. These funds will be used to continue the development and laboratory testing of experimental flow-through lead-acid, sodium-sulfur, and zinc-bromine battery systems for electric vehicle application and to continue the dual-shaft a.c. propulsion system, which includes the development and vehicle integration of nickel-iron battery technology.

For the Advanced Materials Development subprogram the request is $6.5 million. This area addresses the need to develop improved materials that can withstand the high temperatures and corrosive environments of high performance energy conversion systems and, in particular, advanced transportation engines. The funds will be used to establish an industrial ceramic technology base through research on materials and processing of monolithic silicon nitride and silicon carbide, oxide matrix and dispersion toughened composites, thermal and wear zirconia-based coatings, dynamic interfaces, data base and life prediction, and International Energy Agency standardization of ceramic materials and testing. No funds are being requested for the publication and distribution of the Gas Mileage Guide. DOE will submit a legislative initiative to remove the mandatory printing and distribution of the Guide. DOE will encourage the private sector (automotive publications and newspapers) to print the fuel economy information when it is released each new model year by the Environmental Protection Agency. The information contained in the Guide is available to consumers from these sources and each new car sticker is required to include mileage ratings and comparison data.

Finally, $1.4 million is requested for 22 full-time equivalent positions to provide direction and management for the transportation programs.

Multi-Sector

The Multi-Sector Program includes the Energy Conversion and Utilization Technologies (ECUT) program, the Energy-Related Inventions Program, and the National Appropriate Technology Assistance Service (NATAS). The FY 1987 budget request for Multi-Sector includes $15.8 million for ECUT, $3.3 million for the Energy-Related Inventions Program, and $0.75 million for NATAS.

The Energy Conversion and Utilization Technologies research activities are oriented toward basic research and crosscutting R&D problems common to more than one energy consuming sector. They also provide predictive models and design tools useful to the private sector in achieving greater energy productivity. The requested funding will be used to conduct research in six subprogram areas: Combustion and Thermal Sciences, Materials, Biocatalysis, Tribology, International Research Monitoring, and Conservation Program Analysis and Planning.

In FY 1987, $4.8 million is requested for Combustion and Thermal Sciences Subprogram. Combustion research provides analytical and measuring techniques needed to understand the thermochemical and related processes that take place in the combustion of fuels and in the conversion of the released thermal energy to work. The results of this research are used to develop efficient, and reliable and clean combustion systems and devices. Thermal Sciences research develops improved thermodynamic analytical capabilities and experimentally validated computerized data bases. These are needed to provide the technological base used to improve heat transfer processes, reduce heat transfer surface area requirements, and minimize vibration induced by fluid flow through heat exchangers. In FY 1987, research will proceed to develop advanced analysis techniques and to generate a technological data base for the physical sciences of thermodynamics and heat and mass transfer.

The $5.4 million requested for Materials research will be used to investigate and modify the characteristics of high-temperature materials and to further develop the materials-by-design concept. Certain materials such as Long-Range Ordered (LRO) Alloys and Intermetallic Compounds, both of which have highly ordered atomic structures, have great potential for improving the efficiency and performance of high temperature processes, but have not yet been utilized because of their characteristic brittleness. The $2.4 million requested for Biocatalysis research will be used to establish a technological data base for the development of new techniques to manufacture industrial and commercial chemicals using biological systems analogous to conventional processes in chemical engineering.

The $2.4 million requested for the Tribology subprogram will be used for research on lubricants, friction and wear to ceramics, and coatings on machine tools that reduce heat and last longer.

Other ECUT funding requested in the FY 1987 budget--$0.8 million--will be used to assess the status of foreign technologies related to energy conservation and compare it with U.S. technologies, for supporting analyses updating the Conservation 5-year plan and for program direction.

The FY 1987 budget requests $3.3 million for the Energy-Related Inventions Program. This Program was established to evaluate the technical merits of energy-related inventions submitted to DOE and to provide technical assistance and grants to further develop promising inventions. The National Bureau of Standards (NBS) conducts evaluations through its Office of Energy-Related Inventions. Promising inventions identified by NBS are directed to DOE for further assistance to investigate sources of private sector funding or direct support where private sector support is not available. From program inception in 1974 through 1985 approximately 22,000 energy saving inventions had been evaluated by NBS. Based on NBS recommendations, 224 inventions have been awarded grants totalling $16.1 million. Of these, 36 have entered the marketplace generating sales of approximately $110 million and creating more than 900 direct jobs.

In FY 1987, the $3.3 million requested will support the analysis of approximately 1000 proposed inventions, and financial support for approximately 22 of the most promising inventions. During FY 1987, DOE will continue to work one-on-one with inventors to provide business planning assistance, and will conduct workshops which we have tested and found to be very helpful to inventors in dealing with the various and complicated aspects of commercialization.

The Appropriate Technology Program was established to support the development and demonstration of small-scale energy technologies that were matched in scale and nature to local needs. Over 2,000 projects were supported, and almost 900 development projects were completed, to advance the state-of-the-art in Appropriate Technology. In FY 1983, Congress appropriated funds to establish the National Appropriate Technology Assistance Service, to disseminate information on the energy conservation technologies developed through this program and to give expert advice and guidance in using them effectively. NATAS was established in FY 1984, and to date has received over 6,000 requests for information and assistance. The FY 1987 Budget Request contains $0.75 million for NATAS, for the continuation of information and technical assistance to individuals and small businesses and $0.5 million for program direction to support 8 FTEs.

State and Local Assistance Programs

As a result of the recent Supreme Court decision in the Exxon oil overcharge case, approximately $2.1 billion was made available in March to the States and territories for use in five energy grant programs (the four State and Local Assistance Programs in DOE and the Low Income Home Energy Assistance Program in the Department of Health and Human Services). This disbursement, together with the President's FY 1987 budget request, constitutes a near doubling of the appropriated fund levels of the past few years. An additional $750 million is expected to be made available to the States in the settlement of the Stripper Well cases before the end of FY 1986. Therefore, no appropriated grant funds will be needed for State and Local Assistance Programs.

Our $5.0 million budget request will cover DOE headquarters and field office salaries and expenses for 100 FTEs required for administering existing Federal grants and providing technical assistance.

Our goal has been to enable States and local governments to develop and maintain their own energy programs without Federal funds. To that end our efforts have focused increasingly on identifying and establishing private sector sources of funds and developing mutually beneficial working relationships between States and other groups that will help them continue and expand their most successful and highest priority activities.

The transition from activities dominated by Federal grants to State and local government and private sector funding will be completed in FY 1987. In recent years energy partnerships have been developed and opportunities for shared savings and income-generating projects demonstrated and increasingly put into practice. Federal, State, and local governments have made a concerted effort to remove institutional barriers to increased energy efficiency and encouraged use of advanced conservation technologies.

We believe that State capabilities to plan and implement programs and arrange alternative funding sources are now developed to the level at which annual Federal financial aid may be discontinued. The State and local governments are equipped with the training and experience gained in ten years of Federal support.

Our programs, conducted in partnerships with the States and local governments, established a distinguished record of achievement. Together they weatherized 1.5 million homes, upgraded energy use systems in over 53,000 institutions, and established measures to save energy in transportation, lighting, procurement and new and renovated non-Federal buildings.

There is still much to accomplish, and State and local governments and private sector programs are increasing the efficient use of energy at all levels of operation as well as in residences, industrial systems, and other consumption sectors. With the influx of funds from oil overcharge cases, increased private sector involvement, innovative funding methods, and advanced conservation techniques, States will be able to continue to increase energy efficiency and the economic benefits that accrue from such accomplishments.

This completes my statement, Mr. Chairman, and I would be glad to answer any questions you might have.

INTRODUCTION OF ASSOCIATES

Miss FITZPATRICK. Thank you, Mr. Chairman.

On my right is the Deputy Assistant Secretary for Conservation, Mr. Alan Streb, and on my left is Mr. Frank Stewart, who is the Director of the State and Local Assistance Program Office.

PROPOSED TERMINATION OF PROJECTS

Senator McCLURE. Thank you very much.

Throughout your justification I see many projects that were initiated in fiscal year 1986 or prior years, but you have requested no funds in fiscal year 1987 to continue or finish these projects. Unfortunately, you are not proposing to delay these projects or to stretchout funds. Rather, research is being stopped just after initiation, in midstream, and some even close to commercialization.

I can understand the need to reduce budgets, and we all share that concern, but I also understand the broad impact an energy crisis has on our economy. Perhaps more importantly, I understand the wasted funds stemming from projects that we walk away from half finished.

To add insult to injury, the administration is proposing to defer $36 million of energy conservation funds added by Congress in the continuing resolution. Correct me if I am wrong, but every cent of these deferrals came from congressional add ons and not part of your original request to the Congress at the beginning of the year.

What instructions were you given to compile the list of deferrals?

Miss FITZPATRICK. Mr. Chairman, we were told that congressional add ons to the fiscal year 1986 appropriation would be deferred. We asked for and got a little bit of flexibility and there were some add-on funds that were not deferred. For the most part, it is add-on funds.

Senator McCLURE. Was it from the Office of Management and Budget [OMB] that you got those instructions?

Miss FITZPATRICK. Yes, sir.

Senator McCLURE. If you knew you weren't going to be continuing these projects in fiscal year 1987, why weren't they also proposed for deferral?

Miss FITZPATRICK. We had to study as carefully as we could within the time that we had to work what projects should be included in the 1987 request. We tried to maximize the amount of useful work that could be done with the funds that remained available to us. Unfortunately, there are cases where we will not be able to continue projects beyond 1986. However, we tried to pick those projects for continuation which will offer the greatest opportunities for energy savings and which technically are most appropriate for Federal support.

Senator McCLURE. You had a choice at the time that deferrals were being considered to determine whether those should be deferrals or rescissions.

Miss FITZPATRICK. We had no choice about the amount of the deferrals. Therefore, we had essentially no choice about the amount of 1986 funds that we would have available for use.

Senator McClure. Did you try to make any decision at that time as to whether they were to be deferrals or rescissions?

Miss Fitzpatrick. Yes; there were two items in particular that were changed from deferrals to rescissions.

Senator McClure. Even though many of those items which you submitted as deferrals are then zeroed out in the 1987 budget?

Miss Fitzpatrick. That's true.

Senator McClure. Doesn't that sound more like a rescission than a deferral?

Miss Fitzpatrick. I have to admit that the effect is about the same, yes. However, we do intend to eventually use the deferred funds for other programs.

Senator McClure. About the same. The law is different, but the effect is the same.

Miss Fitzpatrick. Yes; because under current practice Congress, as a whole, overturns deferrals, and, therefore, the effect is almost the same as a rescission.

DOE REQUEST TO OMB

Senator McClure. I have a great deal of respect for the research at DOE. Therefore, I presume terminating most of these projects was not your idea but OMB's. Could you please submit for the record your OMB request?

Miss Fitzpatrick. Yes, Mr. Chairman.

Senator McClure. I am also asking at this time for the DOE budget office to provide me the OMB budget for fossil energy R&D. Can you provide that for the record, please?

Miss Fitzpatrick. Yes, Mr. Chairman.

Senator McClure. Can you also provide an explanation of any activity that DOE, and not OMB, proposed for termination?

Miss Fitzpatrick. Yes, Mr. Chairman.

Senator McClure. In addition, would you include an integrated listing of program priorities for those activities proposed to OMB but not included in your congressional budget request?

Miss Fitzpatrick. Yes, Mr. Chairman.

[The information follows:]

CONSERVATION ACTIVITIES PROPOSED FOR TERMINATION IN FY 87 OMB BUDGET

No funds were requested for automotive Stirling engine research and development in FY 1987. By the end of FY 1986, all of the engine designs and test data for both the MOD I and the MOD II engines, the results of the industry evaluations conducted by General Motors and John Deere on two MOD I engines, and the prototype engines themselves will be available for transfer to industry. Based on this information and equipment, industry can perform the assessments necessary to determine whether further commercialization efforts should be carried out. This transfer of developed technology will essentially accomplish the Federal program goals under our "proof-of-concept" strategy.

No funds were requested to continue research on nickel-cadmium or iron-air batteries. Neither of these battery candidates has demonstrated sufficient solutions to the issues of increasing energy density and life, while reducing cost, when compared with the other batteries selected for further development, i.e., sodium-sulfur, zinc-bromine, and flow-through lead-acid. These characteristics are key to improving the performance and economics of electric vehicles.

No funds were requested for lighting research, controls systems research, consumer decision research, the Urban Consortium, or the Rural Housing Amendments Act Study under Buildings and Community Systems. In this period of fiscal constraint, funding for these activities would be inconsistent with program priorities in energy conservation.

INTEGRATED CONSERVATION R&D PROGRAM PRIORITIES

The following is a priority list of Conservation Research and Development activities which were in the OMB budget but not in the request to Congress. This integrated list generally does not include specfic funding increments associated with capital equipment, in-house program technology assessment and transfer, statutory programs nor program direction.

The priority list provides a summary listing. The Key Activities Charts, provided to the committee previously, contains detailed description of these activities.

Activities Not Included in Budget Request

Priority	Program Office	Project Title and Description	Amount ($000)
1	TS	Advanced Materials Development o Enhanced Ceramic Program	$6,500
2	IP	Waste Energy Reduction o Nat.'l Lab Support o Improved Combustion Efficiency o Advanced Coal Burner Development o Heat Pump Technology o High Temperature Recuperators o Gaseous Wastes	$5,256
3	TS	EHV Batteries o Nickel-iron o Sodium-sulfur o Zinc-bromine	$1,725

Activities Not Included in Budget Request

Priority	Program Office	Project Title and Description	Amount ($000)
4	IP	Industrial Process Efficiencies o Separations o Low Temperature Sensor Development o Electrolysis Process o Coatings	$3,200
5	BCS	Technology and Consumer Products o Advanced refrigeration systems research o Combustion systems research o Additional research on thermally activated heat pumps o Lighting equipment research	$4,050
6	MS	Energy Conversion and Utilization o Materials (corrosion-resistant, materials-by-design-, and lightweight) o Combustion (continuous) o Tribology (lubricants, coatings, mechanisms of friction and wear, friction and wear testing, o Catalysis/Biocatalysis (bio-process engineering, catalysis-by-design, biologically effected separations/ beneficiation) o Thermal Sciences (advanced conversion technology, advanced heat transfer)	$5,616
7	TS	Vehicle Propulsion R&D o Vehicle Propulsion R&D Gas Turbine Components Adiabatic Diesel	$3,500
8	IP	Industrial Cogeneration o Steam Diesel o Direct Thermal to Electric Conversion	$ 500
9	TS	Alternative Fuels o Synthetic fuels o Methanol o Methane	$1,540

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Activities Not Included in Budget Request

Priority	Program Office	Project Title and Description	Amount ($000)
10	BCS	Building Systems o Research on new materials o Research on fenestration and daylighting o Commercial buildings integration and performance simulation o Retrofit of multifamily and single family residences	$5,850
11	IP	Waste Energy Reduction o Industrial Wastewaters o Wood Fibrous Waste o Mixed & Inorganic Waste	$1,100
12	BCS	Community Systems o Research on innovative district heating technologies	$ 900
13	TS	EHV Propulsion Systems o Dual-shaft o ETX-II	$3,360
14	IP	Industrial Cogeneration o Externally Fired Brayton System o Bottom Cycle Development	$3,000
15	TS	EHV Test and Evaluation o INEL Lab & Dyno Testing o Site Operations	$2,675
16	IP	Industrial Process Efficiency o Industrial Process Efficiency Thin Strip Casting.	$7,321
17	BCS	Technology and Consumer Products o Equipment integration research.	$1,150
18	BCS	Building Systems o Research on moisture effects on existing buildings. o Additional research on walls and roofs. o Residential buildings integration research. o Retrofit of commercial buildings.	$1,980

Activities Not Included in Budget Request

Priority	Program Office	Project Title and Description	Amount ($000)
13	BCS	Community Systems o Feasibility grants to communities for district heating. o Community energy system integration.	$1,200

TS - Transportation Systems
MS - Multi-Sector
IP - Industrial Programs
BSC - Buildings and Community Systems

MULTISECTOR BUDGET

Senator McCLURE. In the research and development part of your budget your justification shows a very large reduction for transportation research, a 65-percent decrease; industrial research, a 62-percent decrease; buildings and community systems research, a 62-percent decrease; but a comparatively small reduction for multisector research, a 23-percent decrease.

If budgets are any indication of priorities, it would appear that your top priority is research in the multisector areas while the others seem to tie in a rather distant second place.

Is that correct?

Miss FITZPATRICK. Not really, Mr. Chairman. The multisector budget was comparatively small to begin with. Now the total requested for multisector is about the same or actually less than most of the other areas. So it was not such a big budget to begin with.

Also, the multisector budget is mostly the Energy Conversion and Utilization Program, what we call ECUT. That program has been designed and was established to feed into the other three programs: industries, buildings, and transportation. It is the place where we do the very basic research in such issues as combustion, high temperature materials, friction, and wear. All of those issues are required for each of the other applications areas. Therefore, it's a budget which really has, if you will, more bang for the buck because it is broadly applicable to all of the research programs. So I think it is a high priority.

TRANSPORTATION CERAMICS PROGRAM

Senator McCLURE. Turning to transportation, first for fiscal year 1987, you have proposed a budget totaling $19,800,000. This represents a decrease of $36,837,000, or 65 percent below the fiscal year 1986 adjusted appropriation.

With regard to the automotive gas turbine, two industry teams will complete the proof-of-concept engine development in fiscal year 1986. The continuation of this program in fiscal year 1987 includes the initiation of ceramic component development and the elimination of one of the industry teams.

How important is the development of a ceramic engine in the domination of international auto production and is the United States ahead or behind in this research?

Miss FITZPATRICK. Mr. Chairman, I think the ceramic engine is a key component in the continued competitiveness of the U.S. automotive industry. The ceramic engine offers very promising energy efficiency improvements. It also is an engine which is made of nonstrategic materials. It is made of materials which are readily available here in the United States, which is a very important consideration. It is one of several technology development areas that the auto industry expects to be developing in the next couple of decades, because I think they understand generally that they cannot continue to rely simply on the gasoline fueled internal combustion engine.

Senator MCCLURE. Is the United States ahead or behind in this research?

Miss FITZPATRICK. I think the United States generally is ahead in engine design. As far as I know, we have the only built and operating automotive gas turbine engines. We are about even probably in component design, that is, in designing the actual ceramic materials and learning how to handle them so that we can produce reliable components.

Senator MCCLURE. You have indicated that you believe that the industry shares your assessment of the importance of the ceramic engine. Is that correct?

Miss FITZPATRICK. Yes; I think they do.

Senator MCCLURE. Do they share your assessment as to whether we are ahead or behind?

Miss FITZPATRICK. I think they do. They realize that we have done very well so far. They also realize that the competition is very stiff.

Senator MCCLURE. Do I understand your answer to the question with respect to the engine in effect to say that it is important enough that the industry will do it without Government support?

Miss FITZPATRICK. The industry has been cost sharing the projects. I think that there is still a role for the Government to play and we have asked for continued funding in the ceramics components area and in the advanced materials budget. So we expect that there is a role still for the Federal Government to play and we see increasing investment by the industry, particularly in structural ceramics. So I think they are becoming persuaded, first, that they need this technology, and second, that it is something they should begin to invest in.

Senator MCCLURE. How much do we risk with respect to our future competitiveness in the elimination of one of the industry teams?

Miss FITZPATRICK. I don't think that we seriously risk our future competitiveness if we eliminate one team. Obviously eliminating one team does introduce a greater risk of not succeeding, but I don't think it is serious enough given other demands on our budget that we should hesitate to do it. We have for several years intended to go to one industry team at about this point in the program.

Senator McClure. I will ask some further questions for the record with respect to cost sharing and the selection methods.

STIRLING ENGINE

In the fiscal year 1986 continuing resolution Congress added just over $14 million for further development of the MOD II Stirling engine. Report language in the continuing resolution indicates that the House and Senate Appropriations Committees will consider an additional $8 million of the required $12 million in fiscal year 1987. The remaining $4 million necessary to complete the program would come from private contributions.

The fiscal year 1986 funds were originally proposed for deferral, but the deferral was turned into a rescission last month.

As far as funding is concerned, are you now treating this as a rescission or as a deferral and funding it until April 20, 1986?

Miss Fitzpatrick. Mr. Chairman, that is being treated as a rescission and I understand that it is being funded basically on a monthly basis.

Senator McClure. What are the termination costs if contractual obligations are closed out?

Miss Fitzpatrick. Mr. Chairman, we have retained in the budget for obligation about $8 million of the appropriated funds. That is to complete the testing of the prototype and also closeout the contract. I would have to get for the record, if I may, a breakout of how much of that is for closeout and how much is for the testing program.

Senator McClure. Would you do so, please?

Miss Fitzpatrick. Yes; I will.

[The information follows:]

Stirling Engine Program Termination Costs

It is estimated that the termination costs for the Stirling Engine Program would be $3 million if the Congress were to agree with the rescission proposal. These contract closeout costs would be covered by available fiscal year 1986 funds.

PRIVATE CONTRIBUTIONS

Senator McClure. Are you as confident as industry that private contributions could total $4 million in fiscal year 1987?

Miss Fitzpatrick. Mr. Chairman, if industry is confident, then I am confident that they will come up with it. I might point out that industry has not done any cost sharing to date on the MOD II engine, or the MOD I engine, for that matter. But we would certainly welcome talking to them if they are interested in cost sharing that.

Senator McClure. If a $12 million Federal/private program is carried on in fiscal year 1987 to complete the program, would there be enough development and testing for industry to make a decision on the viability of the Stirling engine?

Miss Fitzpatrick. Yes, Mr. Chairman; I think there would be. We have the MOD I engine, which has about 14,000 hours of experience on it. We have the MOD II prototype, which is in testing or will soon begin testing. Even under our rescission proposal there would be testing of that. If the program continued with funding in 1987, I think that there would be more than enough information available to industry.

Senator McClure. What was the impact of the sequestration order on the Stirling Engine Program?

Miss Fitzpatrick. It had a slightly over 4 percent reduction, Mr. Chairman.

Senator McClure. Did that severely set it back?

Miss Fitzpatrick. I don't think so, no.

Senator McClure. Did you eliminate any specific portion of the program as a result of that sequestration?

Miss Fitzpatrick. No, Mr. Chairman; it was basically a stretchout.

Senator McClure. It was a stretchout but not the elimination of any single component?

Miss Fitzpatrick. I don't believe so, no.

ALTERNATIVE APPLIANCE FOR STIRLING ENGINE

Senator McClure. Many argue that the best application for the Stirling engine is not an automotive application but in smaller engines like heat pumps, space power generators, or multifuel stationary engines.

Would you agree with that assessment?

Miss Fitzpatrick. Yes, I do; Mr. Chairman.

Senator McClure. If so, where in the fiscal year 1987 budget are funds supporting these other applications?

Miss Fitzpatrick. We have funds for Stirling engine heat pump development which we are cofunding with the Gas Research Institute. That is in the Building and Community System Program, under the technology and consumer products line. We also have analytical work on thermal transfer models in the ECUT Program, and under the energy and water appropriation we are developing the Stirling engine as the heat engine electric generator on a solar dish collector. It is a heat engine. Therefore, any source of heat will run it, virtually, and you can get mechanical energy which is used to turn an electrical generator. We think it is very promising for those kinds of applications. Also, we have had requests from the U.S. Army to test a MOD I Stirling engine as a field generator unit.

Senator McClure. Are those all funded in your fiscal year 1987 proposal?

Miss Fitzpatrick. Those items that I mentioned, aside from the Army testing, are in our 1987 budget proposal. Yes, sir.

Senator McClure. Is research far enough along that industry should be taking over?

Miss Fitzpatrick. I think industry already has a great deal of information from the work that we have done to date, and, in fact, I understand that they are taking over. One American company, McDonnell Douglas, has obtained the license for the Stirling engine in the United States for solar applications. I understand that the contractor on our

Stirling Engine Program, Mechanical Technologies, is working to develop the engine for other applications. I think that the industry sees it as an efficient engine which can be very reliable and very effective in nonautomotive uses, and that is where we are seeing industry interest.

BATTERY RESEARCH

Senator McCLURE. You have requested funds in fiscal year 1987 to continue development of the lead/acid, sodium/sulfur, zinc/bromine batteries and not the nickel/iron, nickel/zinc, iron/air, or nickel/cadmium batteries. In addition, you have proposed to defer $2.2 million of fiscal year 1986 funds for the testing of the other batteries. This seems to me to be a very odd thing to do at this time when the testing program was just transferred to INEL last September.

What are the problems with the other batteries?

Miss FITZPATRICK. Mr. Chairman, besides the lead/acid, the zinc/bromine, and sodium/sulfur, some have problems with them or they simply don't have the characteristics that we are looking for in an automotive battery. What we need is small volume, low weight, yet high energy capacity and high power capacity. What we have done is to examine each of the possible battery systems and come up with the ones that have the greatest potential in order to meet our budget constraints. The greatest potential we see is in the sodium/sulfur battery. The zinc/bromine also is promising. And we have come up with two very good improvements in the lead/acid battery, different designs for lead/acid, a gel/cell and a flowthrough battery, and we think that all of those are well worth continued support. So it is really a matter of priorities and assessment of potential.

Senator McCLURE. And you focus primarily on weight and volume. Is that correct?

Miss FITZPATRICK. Weight, volume, and energy and power capacity, how much energy can you get into a given weight or volume and how fast can that energy be withdrawn from the battery, and also how does the battery survive repeated discharges and recharging.

Senator McCLURE. Will you provide for the record the assessment of each of these batteries with those criteria listed?

Miss FITZPATRICK. Yes, Mr. Chairman.

[The information follows:]

ELECTRIC VEHICLE BATTERY TECHNOLOGY STATUS

The following table provides the important status and forecast parameters for each battery candidate for van application. The weight, volume, and capacity parameters are provided as specific energy, specific power, and power density.

Battery	Specific energy (Wh/Kg)	Specific power (W/Kg)	Power density (W/1)	Cycle life (Cycles)	Projected cost ($/Kwh)
Lead/acid:					
Status, C	47	105		>181	
Forecast, B	45	100	400	800	72
Sodium/sulfur:					
Status, C	136	180	550	>610	
Forecast, B	95	170	160	750	91
Zinc/bromine:					
Status, B	55	88	156	>68	
Forecast, B	60	94	200	750	75
Nickel/iron:					
Status, M	45	103	201	1,101	
Forecast, B	50	120	205	1.200	125
Nickel/cadmium:					
Status, C	58	125		>80	
Forecast, B	56	79	139	700	72
Nickel/zinc:					
Status, B	52	71	177	600	
Forecast, B	60	79	200	600	145
Iron/air:					
Status, C	70	93	120	>43	
Forecast, B	120	120	145	800	91
Lithium/sulfide:					
Status, M	83	150	315	>582	
Forecast, B	90	140	183	750	91

Note.—C=cell, M=module, B=battery. > testing continuing, Wh/Kg watt hours per kilogram, W/Kg watts per kilogram. W/1 watts per liter, and $/Kwh dollars per kilowatt hour expressed in 1984 dollars. original equipment manufacturer [OEM] cost.

BATTERY DEVELOPMENT

Senator McClure. Are the development problems on the other batteries hard to solve or do they show little promise?

Miss Fitzpatrick. It's a combination of both. We are always speaking comparatively, of course, among all the possibilities that we have.

Senator McClure. Are the batteries you are continuing to work on close to commercialization?

Miss Fitzpatrick. Some of the batteries are at or very near commercialization. For example, the lead/acid batteries. I think the sodium/sulfur battery is farthest from commercialization, but because it shows very substantial potential, the possibility of increasing the energy and power capacities by factors of four or five over what we have available today, we have undertaken a substantial development project in the sodium/sulfur battery.

Senator McClure. I assume you believe that the others that you have dropped are farther from commercialization.

Miss Fitzpatrick. Not necessarily. Some of them are closer to commercialization and, therefore, don't need our support.

Senator McClure. You didn't list that as a reason earlier.

Miss Fitzpatrick. I'm sorry. It's a combination of close to commercialization and, therefore, not really needing our support so much because industry is either picking it up or, if they had potential, would pick it up, and some of them are farther from commercialization and yet show such great potential that we think we ought to support them.

Senator McClure. If those others are closer to commercialization, or some are, would you list which ones are, in your opinion, closer to commercialization?

Miss Fitzpatrick. Yes; I will give you that.

STATUS OF DOE BATTERY

Senator McClure. If you could, provide for the record a brief status of all DOE battery work to date and include in that report the prospects and applications for each battery as well as the stage of development and the fiscal year 1987 and 1988 funding requirements for each.

Miss Fitzpatrick. Yes, I will, Mr. Chairman.

[The information follows:]

Status of DOE Battery Work

The current battery effort under the Assistant Secretary for Conservation and Renewable Energy includes work conducted by the Office of Transportation Systems under the Interior appropriations and by the Office of Energy Storage and Distribution under the Energy and Water appropriations. Candidate technologies under development with the Interior appropriations are lead/acid, nickel/iron, nickel/cadmium, sodium/sulfur, zinc/bromine, and iron/air. All of these technologies are being developed for the electric vehicle application.

Lead/acid R&D includes work on flowthrough, tubular and gel/cell technologies that are at different stages of development. The flowthrough technology is at an early stage of development at the cell stage, whereas tubular and gel/cell batteries are nearing commercial availability. The flowthrough technology is assessed to have the greatest potential because of its higher energy and power characteristics. However, the proven long life of the tubular and the low-maintenance characteristic of the gel/cell provide good justification for exploration of these technologies for near-term applications. Flowthrough technology could be commercially available in the early 1990's. Tubular technology is available commercially in the United Kingdom at the present time and is undergoing demonstration field tests in the United States. The gel/cell lead/acid battery technology is in the final stages of development for near-term application. In fiscal year 1987, $775,000 has been requested to continue development of the flowthrough electrolyte technology; $1 million would be required in fiscal year 1988.

Nickel/iron technology for electric vehicle application is at a mature stage of development. Experimental full-size battery packs are undergoing field tests. However, to reduce the cost of this technology further development of the electrode technology is being carried out in the Department's program. In addition, in the Dual Shaft a.c. Propulsion System Program [DSEP], the prime contractor, the Eaton Corp., is subcontracting for the development of a complete nickel/iron battery system with the developer of the nickel/iron technology, the Eagle Picher Corp. The funding for the subcontract in the DESP Program for the nickel/iron battery is $430,000 in fiscal year 1987 and $50,000 in fiscal year 1988. The fundamental electrode development funding requirement was $225,000 in fiscal year 1987. It is estimated that this technology could be commercialized in the early 1990's

Nickel/cadmium technology is available commercially for nonvehicular applications and has proven characteristics suitable for vehicular applications. However, current costs of the technology are prohibitive. The current effort in the Department's program was aimed at cost reduction. If the cost reductions would be achieved through technology development, the potential for commercialization could be in the early 1990's. No funds have been requested in fiscal year 1987 for nickel/cadmium development.

Sodium/sulfur technology has been under development for many years and has been given high priority because of its favorable energy, power, and cost characteristics for electric vehicle applications. Cell development is relatively mature but significant technical development is required to reach the full-scale proof-of-concept system. It has been assessed to have the potential for commercialization for electric vehicles in the mid-

1990's. Current sodium/sulfur contracts include technology base development and battery development for stationary applications by the Office of Energy Storage and Distribution. This effort is funded under the Energy and Water appropriations. In fiscal year 1986, the Ford ETX-I Program completed the development and test of a one-third full-sized sodium/sulfur battery for the electric vehicle application. In fiscal year 1987 the budget request includes $1 million to continue the technology development for the electric vehicle application.

Zinc/bromine technology has been under development for several years. However, the specific development for the electric vehicle application has been initiated only recently. In fiscal year 1986, the Ford ETX-I Program completed the development and test of a full-sized experimental zinc/bromine battery in conjunction with the Ford advanced a.c. powertrain. Current efforts include development for stationary applications by the Office of Energy Storage and Distribution. The zinc/bromine technology has been given a high priority because of its favorable energy characteristics and potential low cost. It has been assessed to have potential commercialization for electric vehicle application by the mid-1990's. In fiscal year 1987, the budget request includes $500,000 to continue the technology development for the electric vehicle application.

Iron/air technology is at an early stage of development at the cell level. The first full-sized proof-of-concept electrically rechargeable cell for electric vehicle application has been built and tested. This technology has potential application to full performance vehicles because of its high energy and potential low cost. Significant development remains to reduce the cost and increase the life of the bifunctional air electrode. No funds have been requested in fiscal year 1987 to continue this effort.

ELECTRIC VEHICLE RESEARCH

Senator McCLURE. You are proposing to phase out laboratory and in-vehicle dynamometer testing of battery and powertrain technologies at Idaho National Engineering Laboratory [INEL]. That seems like an unfortunate but perhaps a logical step since you are proposing very little battery work in fiscal year 1987.

You are, however, proposing to conduct research on a couple of the batteries that we have previously tested at INEL.

If Congress approves your budget, where will these batteries be tested?

Miss FITZPATRICK. Mr. Chairman, we are not going to be dismantling the test facility at INEL. We will, in effect, keep it on standby basis so that when we have battery systems progressing to the point where they need testing that facility will be available. I understand also we have had some interest from industry in using that facility for testing their own systems. So it would become a user facility to some extent.

Senator McCLURE. Where will they be tested?

Miss FITZPATRICK. At INEL.

Senator McCLURE. I thought you said you were putting them on standby.

Miss FITZPATRICK. Excuse me. We would not dismantle the facility at INEL; we would simply close the door.

Senator McCLURE. If you close the door, then where will the testing take place?

Miss FITZPATRICK. That's what I mean. If industry follows through on their intitial interest in testing, then that facility would be there and it would be a user facility, which means they would pay the cost of using it. If in the future our battery systems work or the other systems progress to the point where we want to use it as a testing facility, then we would still have it available and we would ask for funds to use it.

Senator McCLURE. Will you be testing the sodium/sulfur and zinc/bromine batteries?

Miss FITZPATRICK. I believe that testing is being done at contractor facilities.

Senator McCLURE. Can you tell me where?

Miss FITZPATRICK. The zinc/bromine is at the Johnson Controls in Wisconsin. The sodium/sulfur battery is at Chloride Silent Power and also at Ford Motor Co.

Senator McCLURE. Would you provide for the record the kind of test facilities and the kinds of tests that are being run there contrasted with or compared to the testing facilities and the kinds of tests that were being conducted?

Miss FITZPATRICK. Yes; I will, Mr. Chairman.

[The information follows:]

SODIUM/SULFUR AND ZINC/BROMINE TEST FACILITIES

Vehicular size battery testing facilities have been established at Idaho National Engineering Laboratories to test full-size sodium/sulfur and zinc/bromine batteries when the technology reaches that level of maturity. Prior to this, research and development testing is done at the manufacturers site followed by more in-depth module performance testing at Argonne National Laboratory. These technologies are not expected to develop beyond the module stage during fiscal year 1987.

WORK ON A.C. PROPULSION SYSTEM

Senator McCLURE. In fiscal year 1987 you have proposed to continue work on the advanced dual shaft a.c. propulsion system but not on the single shaft a.c. propulsion system.

Why did you choose to fund the dual shaft and not the single shaft?

Miss FITZPATRICK. Mr. Chairman, the single-shaft engine work proceeded through the construction and installation of a prototype. Therefore, all the design and initial testing has been completed or will be completed this fiscal year on that, and I understand that Ford Motor Co., will continue with the work of actually fabricating the components. The dual-shaft system is not so far progressed. So we propose continuing completing the design work on that and going into the prototype.

Senator McCLURE. What do you have from Ford Motor Co., with respect to their commitments to continue?

Miss FITZPATRICK. May I provide that for the record, please?

Senator McCLURE. If you would, please.

[The information follows:]

COMMITMENT OF THE FORD MOTOR CO., TO THE SINGLE-SHAFT A.C. PROPULSION SYSTEM

The financial commitment of the Ford Motor Co., to the single-shaft a.c. propulsion system technology was a 5-percent cost share of the multiyear contract for the development of the first-generation technology (ETX-I). Ford is also cost sharing 5 percent of the follow-on second generation technology in the ETX-II contract. It is our understanding that Ford would not be willing to continue this development on its own until after the successful completion of the cost shared ETX-II effort.

GAS MILEAGE GUIDE

Senator McCLURE. Can you evaluate as between the two which is more promising and which is closer to commercialization?

Miss FITZPATRICK. They both have advantages and disadvantages. The dual shaft, of course, is only at the design stage, so it is hard to compare them fairly. The single shaft is farther along in development. So it would be closer to commercialization.

Senator McCLURE. According to your justification, DOE's policy office in fiscal year 1986 will conduct a survey that will show the declining use of the gas mileage guide. In fiscal year 1987 you indicate that legislation will be sent up that will eliminate the legislative requirement for the publication and distribution of this guide. The program will be transferred to the private sector through automotive magazines and newspapers.

Your justification reads as if the survey might be a waste of money since you already feel that nobody uses the gas mileage guide.

Is that accurate?

Miss FITZPATRICK. Mr. Chairman, I was not aware that we had predicted the result of a survey before we took it. I would like to check on that. If it does, it strikes me as strange also. We have had some surveys in the past that indicated that the reliance of consumers solely on the gas mileage guide as a source of information for them had declined very substantially. This information is published in trade magazines, in consumer magazines, in newspapers, and, in fact, is available on each new car sticker, a comparison of information.

Senator McCLURE. Will they keep that on the sticker?

Miss FITZPATRICK. Yes; that is required by law to be on the sticker and is administered by the Department of Transportation.

Senator McCLURE. Do you have a feel for the reasons surrounding declining use of the gas mileage guide?

Miss FITZPATRICK. I think probably it's a combination of things. One is that the information has become readily available through other sources for people who are interested in it. Another is the generally recognized, temporary I think, decline in fuel economy being a very large factor in consumer decisions.

Senator McCLURE. Is lack of accuracy any criteria?

Miss FITZPATRICK. I have not heard lack of accuracy, no.

Senator McCLURE. If Congress doesn't eliminate the legislative mandate, what are the funding requirements in fiscal year 1987 to publish the 1988 model year gas mileage guide and how will DOE fund them?

Miss FITZPATRICK. The guide costs us about $700,000 a year to publish and distribute. If the requirement is not eliminated, then we would have to ask for a supplemental appropriation.

BUILDINGS SYSTEM INTERACTIONS

Senator McCLURE. In fiscal year 1986 the Building Systems Program will complete a survey of systems interactions in retail facilities. This was done through a cooperative effort with industry.

This is one example of a series of surveys that the Department has conducted. Others include energy conservation research measures in multifamily mid-rise and high rise buildings. This research was completed and published in a handbook for developers and designers in fiscal year 1985.

Unfortunately, you have requested no funds for building systems interactions in fiscal year 1987. I presume this means that you will not publish a similar handbook for the completed research in the retail industry.

Do the terms of the cooperative effort with industry require releasing this information?

Miss FITZPATRICK. Mr. Chairman, generally what we do when we enter into a survey is to include in that survey the cost of publishing the results even if the publication may actually take place in a subsequent fiscal year. So the funds that were appropriated for that survey we would have budgeted also to include the publication results.

Senator McCLURE. Are those no-year moneys?

Miss FITZPATRICK. That is no-year money, yes.

Senator McCLURE. Do you plan to publish that?

Miss FITZPATRICK. Yes, Mr. Chairman.

Senator McCLURE. Have all of the planned building systems interactions surveys been completed or are there other beneficial surveys that can be done, like a survey of the low-rise multifamily dwellings or of medical facilities?

Miss FITZPATRICK. Mr. Chairman, I think probably there are other kinds of building surveys that could be done. It simply becomes a question of budget priorities, and so we have not proposed any further ones. We do have a good deal of information on medical facilities, hospital buildings, that has been accumulated and disseminated as part of the Schools and Hospitals Grant Program.

Senator McCLURE. For the past couple of years the residential side of building systems interaction has been evaluating the interactions of energy features in different climates using the program for energy analysis of residences, or PEAR. In fiscal year 1986 the PEAR will be tested, updated, and validated with thermal mass and apartment data.

Can you briefly describe the work?

Miss FITZPATRICK. Yes, Mr. Chairman; that is a computer system for use by building designers in the construction industry, and architects. What it does is computerize work that we have done in the past and have disseminated in the form of energy slide rules and manuals for use by the construction industry. They can now do this on a computer program, which allows them a much more accurate and varied look at how a building would perform if you changed one out of a very large number of energy consuming features in the building. That program is now out for peer review in the industry. We do have funds available for its publication.

BUILDING RETROFIT RESEARCH

Senator McClure. In fiscal year 1985 the Department completed detailed plans for national research programs directed at existing single family homes, multifamily homes, and commercial buildings in cooperation with trade and professional organizations.

In fiscal year 1986 these plans were terminated and no activity is planned in fiscal year 1987.

Shouldn't a monitoring system be established, or is this being turned over to industry?

Miss Fitzpatrick. Mr. Chairman, this sounds like a retrofit research program that we had planned. We are not planning to continue with that basically because of budget constraints. However, anything that we have done to date will certainly be available to the industry.

Senator McClure. It is available to the industry?

Miss Fitzpatrick. Yes; and we do have some work going on on retrofit studies. For example, we are doing it for a program with the Tennessee Valley Authority in which we plan to get some data on retrofit. The problem has been that it is sometimes difficult to predict what effect a particular retrofit, for example, the installation of storm windows, will actually have on the energy consumption of the building.

Senator McClure. Shouldn't we have a monitoring program to validate our experience?

Miss Fitzpatrick. We have done some monitoring work, and it can be very useful.

Senator McClure. But you are not going to continue any monitoring?

Miss Fitzpatrick. No; we don't have plans to continue it.

Senator McClure. Is there a value in continuing monitoring to find out whether or not what we did was a good idea or bad, whether it worked or didn't work?

Miss Fitzpatrick. Yes; I think there is some value to that, if it is done.

Senator McClure. Could you submit to us some notion of what a monitoring program might be and what it might cost?

Miss Fitzpatrick. Yes; I have to tell you, it can be expensive. We are doing one this year on metal buildings, which struck me as a little strange. But it turns out that metal buildings are actually about one-half of the total new low-rise commercial construction in the country. Monitoring one building is going to cost us well over $100,000. So it can be very expensive.

I would be happy to give you some evaluation of what the possibilities are and how it is done and what it might cost.

Senator McClure. Is it possible to spread that out with less monitoring but more units? Obviously you can spend a lot of money in one spot.

Miss Fitzpatrick. You can spend a lot of money, and the question always is to some extent you learn by doing, but you have to have a pretty good idea of what is going on in that building in order to understand any of the data. If you don't get enough data on a building, none of what you have got would be any good. So it is to some extent an area that nobody really knows very much about, and it can be very expensive.

Senator McClure. I am still interested in the question of retrofit and whether or not what we have started is worth continuing. I would think that the only way to know that is to monitor what has already been installed.

Miss Fitzpatrick. Mr. Chairman, I share your interest in retrofit because in the entire buildings area, retrofit may represent the greatest opportunity for energy savings. We have a very low turnover in replacing new buildings, so the opportunity is obviously in retrofit, and that is why our research and development projects that we have asked funding for are basically for items that are retrofit items: windows, insulation materials, the mechanical systems, the HVAC systems in buildings, and lighting. That is the reason for it. Those are the retrofit opportunities.

Senator McClure. It would also seem to me that with declining energy costs the interest in the measurement of efficiencies is going to wane until the energy costs start rising again.

Miss Fitzpatrick. Some energy costs are declining, Mr. Chairman. Usually HVAC systems and lighting are dependent on electricity, and electricity costs are not coming down.

Senator McClure. If there is no governmental program for monitoring, it is less likely to occur during a time of declining energy costs. Is that not true?

Miss Fitzpatrick. I would think that is true, Mr. Chairman.

Senator McClure. So if we are really interested in how well those worked, it would seem to me that it might be prudent for us to have at least some program to measure how well they have worked so we will be in a position to be able to move or make recommendations at least next time the public is more aware and more concerned.

Miss Fitzpatrick. That would be true.

Senator McClure. Which will coincide with the rise in prices.

[The information follows:]

MONITORING PROGRAM FOR BUILDING RETROFIT

Field performance monitoring and evaluation of individual retrofits form the basis for improving our understanding of the impacts of retrofit measures and the predictabilty of energy savings from such investments. DOE is already involved in monitoring the impacts of retrofit measures applied to single family residences in Wisconsin and Michigan and a similar project will soon be initiated in Florida. In addition, $450,000 of fiscal year 1986 funds have been set aside to support more cost-shared monitoring projects directed at single family homes. An announcement or request for proposals will be issued this spring for interested organizations, such as States, utilities or private firms, to submit proposals for cost-shared research of this type. In addition to some financial support, the parties that respond will be able to enhance their programs by obtaining technical assistance from DOE's national laboratories or by borrowing needed instrumentation. This activity is intended to help conservation programs and the building industry to undertake management steps that will increase the effectiveness of both public and private retrofit services. A strong emphasis will be placed on projects which offer significant cost sharing, usually over 50 percent. It is anticipated that there will be four to six awards with DOE cost shares in the range of $20,000 to $100,000 each. These resources will be used to pay for portions of the costs of data gathering, special instrumentation, and data evaluation. The awardees will be expected to pay for the conservaton retrofit and the installation of the retrofit, and to use the DOE-developed monitoring protocol and analysis techniques.

In fiscal year 1987, if retrofit research funds were available, DOE could set aside approximately $500,000 of these funds to implement a similar program for multifamily housing. The multifamily sector differs from the single family housing stock in certain key respects: number and size of units, geographic distribution, heating system type, age distribution, fuel use, energy end use, and occupancy patterns. Emphasis on programs specifically dealing with multifamily housing issues is a fairly recent occurrence at the Federal, State/local, and utility levels.

In the commercial buildings sector, the development of monitoring protocols and analysis techniques are just now getting under way, although some small scale monitoring of commercial buildings has been initiated in fiscal year 1986. A more comprehensive program in this area could not be ready until the latter part of fiscal year 1987 or fiscal year 1988.

SCRANTON DISTRICT HEATING AND COOLING ACTIVITIES

Senator McClure. Your budget justification indicates that there are no new funds requested in fiscal year 1987 at the Scranton, PA, district heating system projects. In fiscal year 1985 Congress included funds to initiate this program which is designed to increase energy efficiency and reduce cost of district heating through the application of advanced technologies.

Will the Scranton, PA, project be continued through the use of prior-year fund money?

Miss Fitzpatrick. Yes, Mr. Chairman; the funds appropriated in prior years are sufficient to carry that through the design stage.

Senator McClure. Will that continue through 1987?

Miss Fitzpatrick. I am not sure when it will be completed, Mr. Chairman. I will supply that for the record. But it will continue through completion. Again, those are no-year funds.

Senator McClure. Thank you.

[The information follows:]

Scranton District Heating and Cooling [DHC] Activities

There are two Scranton research projects: (1) mine water heat recovery, and (2) renovation of old DHC systems. Both projects are well under way. In the mine water project, drilling will begin in Arpil 1986, and water analysis and simple heat exchanger testing will be completed by January 1987. Design and construction of a bundle heat exchanger, drilling of a large hole and testing of the bundle heat exchanger are scheduled for completion by December 1987. In the final task, a concept design for a low-temperature district heating and cooling system using the bundle heat exchanger will be completed by March 1988. Project completion depends on positive results of the simple heat exchanger test.

In the renovation of old systems project, a study is under way to identify options available for the Scranton system. In addition, final review is in progress on proposals received in response to a research opportunity solicitation for renovatoin of old systems. The selected projects are scheduled to begin in June 1986 and will be completed in 12 to 18 months. No fiscal year 1987 funds are necessary for completing this work.

OTHER DISTRICT HEATING AND COOLING ACTIVITIES

Senator McClure. What other district heating and cooling activities are planned for the fiscal year outside of the Scranton facility?

Miss Fitzpatrick. Mr. Chairman, we have not requested new budget authority for fiscal year 1987. However, we have prior-year moneys which will be expended during fiscal year 1987 in two areas. First, to fund some research projects in the areas of heat exchangers, more accurate meters, and what is called slippery water, the devices to make the hot fluids flow with less friction through the pipes to reduce pumping costs and increase the thermal efficiency.

We also will be completing the next cycle of the grants to cities to do feasibility studies for district heating systems.

Senator McClure. Can you identify the amounts of money which will be spent on those projects and activities during 1987?

Miss Fitzpatrick. Yes, Mr. Chairman; if I may provide it for the record.

Senator McClure. Thank you.

[The information follows:]

District Heating and Cooling Projects

Projects that will continue in fiscal year 1987 with the use of prior-year funds are:

—Development of technology to extract heat from mine water in Scranton, PA. About $500,000 will support research in 1987. The work will include testing of simple heat exchangers inserted into mines, design and procurement of a large (bundle) heat exchanger, drilling of a large hole, and testing of the large heat exchanger.

—Development of methods to renovate old district heating steam systems using Scranton as a laboratory ($290,000).

In addition, contracts will be awarded in fiscal year 1986 in at least two areas and the work will continue into fiscal year 1987. These include:

—Work on contracts to be awarded in June 1986 in response to the program research opportunity solicitation for innovative technology proposals ($800,000). The research will be completed in 1987.

—Work on district heating and cooling feasibility study grants to municipalities to be selected in the summer of 1986 ($500,000). The studies will be completed in 1987.

RURAL HOUSING AMENDMENT ACT STUDY

Senator McClure. In the fiscal year 1986 continuing resolution Congress reduced funding for a study mandated in the Rural Housing Amendments Act. This study was designed to compare construction costs, energy use, and value of energy saved in homes built to national manufactured housing safety standards with homes eligible for loans.

Congress made this reduction assuming that the study would be completed but delayed until the end of fiscal year 1987. Your justification indicates that this study will now be completed in fiscal year 1986.

Have you altered the scope of the study to complete it at the end of this year?

Miss Fitzpatrick. Mr. Chairman, we will be completing the first phase of that study during fiscal year 1986. We are dependent on the Rural Housing Administration completing their analyses before we can do our part of the study. The part that they have finished analyzing we will be finished working with. Then we have to wait for them to do the next part, which I understand will not be completed until next year. If we need further funding, we will ask for it.

Senator McClure. Are funds being transferred within the Department to complete the study?

Miss Fitzpatrick. No, Mr. Chairman.

INDUSTRIAL PROGRAM

Senator McClure. Turning now to the industrial program, you have requested $15,623,000. This is a decrease of $24,473,000, or 62 percent, from the fiscal year adjusted appropriation.

HEAT EXCHANGERS

In fiscal year 1986 you completed testing and evaluation of fluid bed ceramic distributor test plates in severe environments. Yet there are no funds requested in fiscal year 1987 for any followup work in this area.

Can you describe this work and explain why you have not requested any funds in fiscal year 1987?

Miss Fitzpatrick. Mr. Chairman, that is a heat exchanger or heat extractor that is installed at an Alcoa plant in New York State. It is an aluminum remelt plant. It has been proceeding very successfully, and we think that there is no further work required on our part for that one.

Senator McClure. Is there a logical next step?

Miss Fitzpatrick. For that particular heat exchanger, I think it is a good heat exchanger. We are doing further work, about 1 million dollars' worth of work, in advanced heat exchanger technologies. We don't by any means think that we have exhausted the potential of heat exchangers, especially for applications in very hostile environments.

Senator McClure. Is that one ready for commercialization?

Miss Fitzpatrick. Yes; I think that one is about ready.

Senator McClure. Is it demonstrated well enough that people will make the decisions on the basis of current information?

Miss Fitzpatrick. Yes; I think it has worked very well.

Mr. Chairman, Mr. Streb tells me that that product is actually on exhibit at the Aluminum Association meeting here in Washington right now. They are quite proud of it.

Senator McClure. Very good. With your contribution noted in the fine print?

Miss Fitzpatrick. I will run over and check, Mr. Chairman, because that doesn't always happen. It's very discouraging sometimes to see how little credit the U.S. Government gets for what we do.

NATIONAL LABORATORY AND ANALYTICAL SUPPORT

Senator McClure. You are proposing to reduce the national laboratory and analytical support by 35 percent in fiscal year 1987. That is a reduction to $2.5 million from $3.8 million. Through this program national laboratories provide support to headquarters staff in managing the activities of the industrial program as well as performing technical analyses.

Does the reduction reflect the overall proposed reduction in energy conservation for fiscal year 1987, or are you proposing to decrease the monitoring of contracts?

Miss FITZPATRICK. Mr. Chairman, that reduction is due to the overall budget reduction.

Senator MCCLURE. If Congress kept the waste energy reduction budget at the fiscal year 1986 level what funds would be required to maintain the same amount of monitoring?

Miss FITZPATRICK. Then I think we would keep the laboratory support funds also at the 1986 level.

Senator MCCLURE. Your justification indicates that no funds are requested in fiscal year 1987 for the continued development of the Brayton system. Over the past few years the Department has put a great deal of time, money, and effort into this system which is designed to extract heat from coal to drive a turbine.

What is the status of this system and why haven't funds been requested for fiscal year 1987?

Miss FITZPATRICK. Mr. Chairman, may I provide that for the record, please?

Senator MCCLURE. Surely. If you could also, if appropriate, answer if the system is fully developed, shouldn't the Department be conducting tests?

Miss FITZPATRICK. Yes, sir.

[The information follows:]

BRAYTON SYSTEM

A definitive engineering study of the major types of atmospheric fluidized bed gas turbine cogeneration systems has just been completed, which establishes the economic and engineering feasibility of the Brayton system concept.

The next step would be to conduct large-scale engineering tests of sections of major components using solid fuels to obtain design information on performance and materials of construction. These tests require several million dollars to modify the test station, run the tests, et cetera over a period of 3 years. The present offered cost share by industry is approximately $500,000. Since this stage of the development activity is very costly and these are times of budgetary restraint, it would not be prudent to initiate this long-term expensive phase at this time.

STEEL-RELATED ACTIVITIES

Senator MCCLURE. In fiscal years 1984 and 1985 Congress appropriated funds for research in steel processing. This research was divided into two programs aimed at direct casting of thin steel slabs and thin steel strips. Language in the appropriations bill required DOE to continue these programs through the pilot program stage.

In fiscal year 1987 you are proposing to continue the direct casting of thin strip steel casting through to pilot program stage. In the direct casting of thin slab steel casting you are proposing to conclude efforts in fiscal year 1987 and terminate the program before the pilot program stage.

How was the decision made to finish the thin strip project but not the thin slab project?

Miss FITZPATRICK. Mr. Chairman, the thin slab project will be completed through to the prototype, but not including the pilot this year. So it is not necessary to ask for 1987 funds for it. The other project will require 1987 funding to finish to the same point, up to the pilot plant stage.

Senator MCCLURE. Are you stopping both programs before the pilot program stage?

Miss FITZPATRICK. Yes; that's correct. One will be brought to that point with fiscal year 1986. The other one with fiscal year 1987 funds.

Senator MCCLURE. I want to review that and I hope you will do the same thing. I had understood you were proposing to conclude the efforts before the pilot program stage in one but not in the other.

Miss FITZPATRICK. No; we intend to bring both of them up to but not including the pilot plant stage.

Senator MCCLURE. What would be the cost to complete these projects through the pilot program stage?

Miss FITZPATRICK. The cost of continuing through the pilot stage would be around $12 million, I believe. I would like to supply that for the record, if I may.

Senator MCCLURE. Would you please, on each of the programs?

Miss FITZPATRICK. On both of them, yes.

[The information follows:]

THIN STRIP CASTING

The cost to complete the thin steel slab project, being carried out by U.S. Steel and Bethlehem, is approximately $12 million. For the thin strip casting project involving Westinghouse and Armco, a reliable pilot plant cost estimate will not be made until additional laboratory-scale tests have been successfully accomplished.

PILOT PROGRAM PROJECT LANGUAGE

Senator MCCLURE. Is the Department sending up the necessary language to eliminate the pilot program project requirement?

Miss FITZPATRICK. That was appropriations language, Mr. Chairman, so I think if our budget request is adopted by the Congress, then that would be sufficient.

Senator MCCLURE. You think if Congress required it by law and then doesn't fund it that is all you have to do?

Miss FITZPATRICK. Well, since it will be one appropriation bill following another one, I think we would consider that effect. If you would like language, we would be happy to supply some.

Senator MCCLURE. I am not sure that that is consistent with past practice.

Miss FITZPATRICK. We would supply some if the committee wishes, Mr. Chairman.

Senator MCCLURE. Is the thin slab technology more beneficial to the steel industry than the Keyworth initiative?

KEYWORTH INITIATIVE

Miss Fitzpatrick. One of the items that could be included within the Keyworth initiative would be a thin strip or thin slab casting process. That is because one of the major areas covered under the Keyworth initiative was what was called near net shape casting; that is, trying to cast directly as close as possible to what the final shape of the product would be, and that is what thin strip or thin slab casting is. So, in effect, thin strip casting is part of the Keyworth initiative. Keyworth also included some other ideas, such as direct reduction of ore to steel and some other items.

Senator McClure. In the fiscal year 1986 continuing resolution Congress added just over $7 million for a cost-shared research and development effort commonly known as the Keyworth initiative. This initiative is designed to leapfrog existing steel technology and allow major gains in productivity.

In the President's February 5, 1986, message these funds were proposed for deferral. The Department indicated that funds would continue to be spent until March 20, and subsequently the date was moved ahead to April 20 to give Congress an opportunity to review and act on a variety of deferral proposals.

I want to express my appreciation for the willingness of the administration to give Congress an appropriate amount of time to react to these deferral proposals.

How much of the original $7.1 million has been spent?

Miss Fitzpatrick. Mr. Chairman, little if any has been spent, and the reason for that is that the first step under the appropriation was to devise a plan of what was to be done with the money, because there was not a specific research plan available. We have been meeting with the steel industry. I have met with them, and my colleagues have, to talk to them about what their research needs are, what is it that they have available in their facilities, what facilities in the national laboratories would be useful to them, and to try to come up with a program that we could do jointly. Therefore, because we are only in the planning stage, we have not spent those appropriated funds.

Senator McClure. What is the status of the required 30 percent cash or in-kind cost share from industry?

Miss Fitzpatrick. That is part of the overall planning: an evaluation of first determining exactly what should be done, and second, who can contribute what to the project. But we expect certainly to have substantial cost sharing from the industry.

Senator McClure. But so far there is nothing concrete with respect to either the plan or cost sharing?

Miss Fitzpatrick. That is correct. That $7 million certainly would require 30 percent cost sharing from the industry as part of the appropriation requirement. So that would be the minimum.

Senator McClure. You have also requested bill language that would allow the Keyworth initiative funds to be used for other energy conservation activities.

Specifically, what other high priority energy conservation activities are you proposing to fund and how much is necessary?

Miss FITZPATRICK. Mr. Chairman, some of those funds would go to the continuation of the steel projects, such as the thin slab project in fiscal year 1987, which, as I mentioned, is part of what was encompassed by the Keyworth initiative. Other funds would become generally available for our budget request.

Senator MCCLURE. My information is that Argonne had a specific plan for the Keyworth initiative. Is that correct?

Miss FITZPATRICK. Not a plan that was ready to begin research on. They had identified some of what were called the leapfrog technologies that the steel industry needed to have developed, such as near net shape casting or direct reduction of steel. There are a number of possible ways to approach those problems, and it was not determined which were the most promising options and which ones should actually be pursued.

Senator MCCLURE. Did industry support or oppose the Argonne plan?

Miss FITZPATRICK. Industry generally supported the Argonne plan as far as it went. They also agree that it is not specific enough to actually begin a real research effort.

Senator MCCLURE. They weren't willing to put up any cost sharing based upon it?

Miss FITZPATRICK. I think they are willing to put up some cost sharing, but they know that the next step is further definition of the research plan.

STATE AND LOCAL ASSISTANCE PROGRAMS

Senator MCCLURE. Under the State and local program you are proposing essentially no funds for these programs in fiscal year 1987. Instead, under the terms of the Exxon settlement $2.1 billion were released to States on March 6 to be distributed under the terms of the Warner amendment. This will more than adequately fund these programs.

How are the formulas for distribution to the States different under the Warner amendment than with appropriated funds?

Miss FITZPATRICK. Mr. Chairman, under the Exxon distribution the funds were allocated to the States on the basis of their consumption of petroleum products. So a State that consumed 5 percent of the petroleum products used in the Nation from, I think, 1975 to 1981, which is the period of violations, would get 5 percent of the total award. But under the appropriated funds the formula takes into account the population of a State and also what are called degree days; that is, the severity of the climate, especially the winter climate in a State. So the appropriated funds are not distributed on the same basis as the Exxon funds.

Senator MCCLURE. Would you please provide for the record, by State and by program, the comparison of funds under the fiscal year 1986 appropriation and under the distribution of the Exxon funds under the Warner amendment?

Miss FITZPATRICK. Mr. Chairman, I can provide the State and program allocations for appropriated funds, but I'm afraid I can give you only the State allocations for the Exxon funds, because it is up to each State to allocate it among the programs, and that hasn't been done yet.

Senator MCCLURE. But you could give the aggregate for the State under the program and the aggregate for the State under the Exxon distribution?

Miss FITZPATRICK. Yes; I can. I will do that.

[The information follows:]

Comparison of Exxon Funds with FY 1986 State SLAP Allocations

State	Exxon	WAP	ICP	SECP	EES
Alabama	$ 32,192,086	$ 1,573,577	$ 631,526	$ 259,100	$ 125,100
Alaska	8,272,460	1,550,546	253,264	103,600	70,000
American Samoa	371,276	0	146,607	78,700	64,200
Arizona	21,565,620	774,779	507,653	223,000	106,500
Arkansas	25,949,670	1,488,100	444,422	269,500	99,700
California	194,717,035	4,729,912	2,328,320	1,176,500	436,900
Colorado	22,715,884	4,013,821	706,207	240,700	109,200
Connecticut	34,900,269	2,483,343	712,671	258,300	112,700
Delaware	9,994,770	540,105	224,555	112,900	73,000
District of Columbia	4,603,516	646,538	231,254	111,900	73,700
Florida	98,114,524	566,020	1,209,690	526,500	217,400
Georgia	46,625,491	1,780,770	805,120	367,500	149,800
Guam	3,099,681	0	157,700	81,900	65,400
Hawaii	14,482,090	159,979	235,082	121,900	78,900
Idaho	8,690,739	1,723,043	314,789	125,700	78,600
Illinois	96,105,506	10,900,038	2,317,684	761,100	243,900
Indiana	51,631,388	5,146,770	1,127,463	479,880	150,200
Iowa	27,423,669	4,325,360	744,566	256,300	109,600
Kansas	23,958,453	1,971,870	544,655	268,100	100,900
Kentucky	27,438,633	3,431,494	701,151	320,300	121,400
Louisiana	51,536,267	761,809	622,710	467,100	130,000
Maine	15,094,373	2,935,973	404,543	136,400	81,400
Maryland	36,415,979	2,326,890	794,923	317,600	130,200
Massachusetts	70,340,939	5,958,550	1,204,298	365,100	154,100
Michigan	70,991,490	12,170,917	1,988,562	593,000	209,700
Minnesota	36,066,225	9,062,268	1,154,770	352,600	127,900
Mississippi	28,378,643	1,012,626	453,608	209,600	103,400
Missouri	41,516,281	4,751,718	987,776	336,800	141,200
Montana	9,584,666	2,033,800	307,656	121,700	76,200
Nebraska	15,504,944	2,233,595	447,511	171,200	88,400

State	Exxon	WAP	ICP	SECP	EES
Nevada	8,767,275	497,055	270,734	129,700	76,200
New Hampshire	9,797,537	1,483,796	348,075	130,700	78,200
New Jersey	75,432,932	4,984,702	1,287,650	580,000	179,800
New Mexico	13,692,730	1,279,673	324,576	155,700	84,200
New York	159,874,589	18,570,749	3,297,231	987,900	340,500
Northern Mariana Islands	192,062	0	144,452	78,300	63,900
North Carolina	47,029,797	2,864,582	905,498	384,200	156,400
North Dakota	7,721,443	2,203,317	302,979	110,600	74,000
Ohio	79,740,285	10,210,636	2,073,540	732,500	233,900
Oklahoma	26,234,258	1,788,767	579,293	273,800	111,400
Oregon	20,721,692	2,343,363	509,778	250,500	105,200
Pennsylvania	96,803,642	11,923,936	2,226,059	631,800	250,800
Puerto Rico	20,053,949	0	562,793	194,700	114,200
Rhode Island	8,005,286	1,087,391	315,292	139,800	78,600
South Carolina	25,187,597	1,085,856	517,313	242,100	112,900
South Dakota	7,501,993	1,931,202	285,930	109,000	74,600
Tennessee	34,603,234	3,129,481	790,999	352,500	136,100
Texas	157,187,087	2,346,718	1,946,321	1,162,300	288,100
Utah	12,454,478	1,658,807	413,282	158,900	86,700
Vermont	5,005,194	1,231,714	265,385	111,800	71,700
Virgin Islands	9,951,205	0	150,036	91,400	62,500
Virginia	53,376,861	3,111,082	915,235	364,900	148,000
Washington	32,121,634	3,703,072	785,490	254,100	128,800
West Virginia	17,902,925	2,361,900	445,042	248,200	94,900
Wisconsin	36,966,569	7,427,709	1,168,353	381,500	137,900
Wyoming	8,874,386	863,851	231,429	117,200	71,100

MONITORING OF STATE GRANT PROGRAMS

Senator McClure. What will DOE spend in monitoring these programs in fiscal year 1986?

Miss Fitzpatrick. We will spend for monitoring of appropriated funds about $3.5 million for Federal staffing, and we will spend another $2 or $3 million for contractor monitoring. If I may, I would like to provide the figures for the record.

Senator McClure. OK.

[The information follows:]

Monitoring Costs

In fiscal year 1986, the cost of monitoring the State and local grants programs is estimated at 35 percent of staff time or about $3.5 million. In addition, DOE headquarters disbursed approximately $2.8 million to the field offices for contractor performed monitoring, technical assistance, and information exchange in fiscal year 1986.

MONITORING OF EXXON FUNDS

Senator McClure. How does that compare with the monitoring that DOE will do with the Exxon funds?

Miss Fitzpatrick. It is subtantially more because the Exxon funds will be monitored through the submission by each State of an annual report, which is required by the court order. We will then review that report and submit our report on the report to the court.

Senator McClure. You don't intend to monitor during the year but just examine the report made by the State at the end of the year?

Miss Fitzpatrick. That's correct, Mr. Chairman.

Senator McClure. If they go in totally different directions and leave areas totally uncovered as compared to the appropriated funds, that is something we won't know until the year is ended?

Miss Fitzpatrick. We won't know through an official report until the year is ended. That's true.

Senator McClure. The year has ended, the money is expended, and then we can determine whether or not there were gaps?

Miss Fitzpatrick. That's true, Mr. Chairman.

Senator McClure. Doesn't it make some sense that if we really have a Federal program for State and local assistance and that we are going to assume that the Exxon moneys will cover all those areas that we ought to monitor to see whether the money is going into those areas or being totally spent somewhere else?

Miss Fitzpatrick. Mr. Chairman, they have to use it on one of those five programs, so they can't go too far afield.

Senator McClure. They could spend all of it in one and leave four uncovered, couldn't they?

Miss Fitzpatrick. Yes; they could, and that may be something we will have to rely on each State to determine what its needs are.

Senator McClure. Regardless of what we thought they were?

Miss Fitzpatrick. That's true. It's their money.

Senator McClure. It's their money but we are substituting this for Federal money. If we are going to assume it's their money, then maybe we ought to appropriate the same amount of money through the Federal funding. Is that correct?

Miss Fitzpatrick. I agree, Mr. Chairman, that there is a possibility that the States would use it all for one program and not give as much to some programs as we otherwise would have appropriated.

Senator McClure. I don't object to the States spending their money their way and it is none of our business really, but it is our business to determine whether or not important functions are being done that we decided were worth appropriating money for. Isn't it?

Miss Fitzpatrick. That's true, Mr. Chairman.

MULTISECTOR PROGRAM

Senator McClure. In multisector you have requested $19,850,000, which is a decrease of $5,724,000, or a 23-percent reduction, from adjusted fiscal year 1986 appropriated level.

In fiscal years 1985 and 1986, and again proposed for fiscal year 1987, research was conducted on lubricants for warm forming of metals; that is, from 200 to 600 °F. This research will be completed in fiscal year 1987.

What are the applications you have found in this temperature range?

Miss Fitzpatrick. May I supply that for the record, Mr. Chairman?

Senator McClure. If you will, please, and if you could also supply for the record what the applications would be if research were conducted above 600 °F.

[The information follows:]

Lubricants for Warm Forming of Metals

The temperature range for warm forming of metals is about the same as for the parts of the adiabatic diesel engine (200 to 600 °C); therefore, lubricants developed for one application can be used for another. This is one advantage of a generic research program. As a result, our research on high-temperature (about 600 °C) lubricants would be applicable to adiabatic diesel and other advanced heat engines being developed by the Office of Transportation Programs.

HIGH TEMPERATURE LUBRICANTS

Senator McClure. Has the Department studied applications above 600 °F to begin research?

Miss Fitzpatrick. No; we haven't, Mr. Chairman. That is a difficult area and certainly one that we are going to have to solve if we are going to have high temperature engines. Either find lubricants that can operate at those temperatures, or—and we have had some success in this—finding materials that don't require lubrication. That, I may add, is part of what we do in the advanced materials program.

ADDITIONAL COMMITTEE QUESTIONS

Senator McClure. I have some other questions which I will submit for response to the record in writing, and other members of the committee may have until close of business tomorrow for the submission of questions for response in writing.

Miss Fitzpatrick. Thank you, Mr. Chairman.

Senator McClure. Thank you very much for your testimony. I would ask that you get your responses back as quickly as possible. We will establish no deadlines on that, but it helps us. I don't know what our appropriation schedule is going to be this year or even if we'll have one.

Miss Fitzpatrick. We will answer as quickly as possible, Mr. Chairman.

Senator McClure. Thank you very much.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

FY 1987 Budget Guidance

Question: What instructions were you given by OMB or DOE in compiling your FY 1987 budget?

Answer: The Department of Energy was given initial policy guidance on the FY 1987 budget, as well as agency funding targets, in February 1985 shortly after the President's budget for FY 1986 was submitted to the Congress. This guidance addressed the gradual phase-out of the Conservation Grants Programs but did not specifically mention the Conservation R&D Programs.

The Department of Energy issued its budget call for the FY 1987 Internal Review Budget on May 15, 1985. This included funding controls on OMB targets. This guidance said that the budget should be developed at three levels of funding -- Program Planning Level, OMB Target Level, and Decremental Level. The Program Planning Level should include only critical and essential functions which cannot be accommodated within the OMB Target Level of funding. The OMB Target Level should include those activities that could be carried out at that funding level and include higher priority activities than those contained in the Program Planning Level request. The lowest funding level -- the Decrement Level -- should reflect activities which would be carried out if funding were reduced 10 percent below the OMB Target Level. Activities funded at the Decrement Level should be the highest priority activities.

In mid-August, 1985, the Department issued final allowances for the Energy Conservation Programs as guidance for preparation of the Secretary's budget to OMB for FY 1987. The guidance given at that time continued the phase-out of the Conservation grants and provided funding for R&D based on priority ranking of programs developed during the Internal Review Budget process.

In early December, 1985, the OMB provided passback funding which essentially is what is in the President's FY 1987 Budget submitted to Congress. It should be noted that the overriding policy issue of the entire FY 1987 budget process was, and still is, reducing the Federal deficit.

Automotive Gas Turbine

Question: With regard to the automotive gas turbine, two industry teams will complete the proof-of-concept engine development in FY86. The continuation of this program in FY87 includes the initiation of ceramic component development and the elimination of one of the industry teams. How are you proposing to choose one of the two industry teams?

Answer: At the present time, neither of the contractor teamsor the basic engine designs can be judged superior over the other. Barring the emergence of an obvious technology advantage by the end of the current proof-of-concept effort, the decision on which contractorteam will continue with component development will be based on a competitive solicitation. It is expected that the final decision may come down to the question of proposed cost sharing by the contractor teams. It is also possible that the teams may cooperate. One of the participants (Ford) has expressed interest in that possibility in testimony before Congress.

Question: What is the private cost share for each industry team?

Answer: The level of cost share by each industry team has varied as the program made progress. At the start, of the program the industry teams cost shared in the 5 percent to 6 percent range. Present cost sharing by the industry teams is in the 15 percent to 16 percent range.

Question: What is the Federal investment and corresponding industry investment in the gas turbine engine?

Answer: Total Federal investment in the automotive gas turbine program, including FY 1986 funding, is approximately $188 million. The estimated direct contract cost-share investment by industry is between $15 million and $20 million. Both contractor teams have testified that in-house industry investments in directly related technology development are in excess of $50 million for each team. The Department, however, has not reviewed this work since it is not within the scope of the contracts.

Question: What are the funding requirements if Congress decided to fund two industry teams in FY87?

Answer: The total cost prior to cost sharing to continue the automotive gas turbine program with two industry teams is estimated to be $8 million with implied outyear commitments of $24 million.

Vehicle Propulsion R&D Technology Transfer

Question: In Vehicle Propulsion R&D in FY87, you are proposing to conduct technology transfer activities as part of each program activity. FY86 funding for technology transfer totaled 1.6 million dollars or 6 percent of the total Vehicle Propulsion R&D program. What will be the corresponding funding level in FY87 if technology transfer is spread out in programs?

Answer: Technology transfer activities will be reduced proportionately to the overall R&D programs being conducted. Although these activities will be included as part of the programs, it is planned to retain a funding level of between 5 and 6 percent.

Question: Does this meet the requirements?

Answer: Past experience has shown that a funding level between 5 and 6 percent of program costs is an adequate amount to support necessary technology transfer activities.

Question: Is technology transfer being shifted or eliminated?

Answer: Technology transfer activities have not been eliminated. Such activities will be included as part of the R&D programs conducted, and will be reduced consistent with the size of those programs.

Diesel Engine Utilization of Methane

Question: In FY86, your justification indicates that you will conduct performance and emissions evaluations and update the information data base on the use of methane in diesel engines. I note that you have not requested funds in FY87 for this activity. Will the updated data base be completed in FY86?

Answer: The project on use of methane in diesel engines is being conducted at Southwest Research Institute, and is scheduled for completion in January of 1987.

Question: If not, why haven't the necessary funds been requested in FY87 and what are the funding requirements?

Answer: There are no funding requirements in FY 1987. Funding for completion of the project is included in the FY 1986 budget. The data and project results will be published and disseminated to industry and academia in customary program fashion.

Phase Out of Testing at INEL

Question: You have requested funds in FY87 to continue development of the lead acid, sodium sulfur, zinc bromine batteries and not the nickel iron, nickel zinc, iron air or nickel cadmium batteries. In addition, you have proposed to defer 2.2 million dollars in FY86 funds for the testing of the other batteries. This seems to be a very odd thing to do when the testing program was just transferred to INEL last September.

You are proposing to phase out laboratory and in-vehicle dynamometer testing of battery and powertrain technologies at INEL. This seems like an unfortunate, but fairly logical step since you are proposing very little battery work in FY 1987. You are, however, proposing to conduct research on a couple of batteries (sodium sulfur and zinc bromine) that were previously tested at INEL. What is the equipment investment at INEL?

Answer: The equipment investment for the Electric Vehicle Test Center at INEL is $3.14 million.

Question: What are you proposing to do with this equipment?

Answer: The schedule at INEL will complete the testing of developmental components and experimental batteries early in FY 1987. The facility will be placed on a standby mode.

Question: If battery research was restored to the FY86 level, what funds are necessary in 87 for testing and evaluation?

Answer: If battery research is restored to the FY 1986 level of $3.6 million, the funding necessary for testing and evaluation would be an additional 20 percent or $720,000. However, since the R&D would not result in experimental batteries that could be tested in FY 1987, the funds would not be needed until FY 1988.

Single-Shaft A.C. Propulsion System Development (ETX-II)

Question: After several years of research and development of the next generation, single-shaft a.c. propulsion system (ETX-II), hardware fabrication will be terminated and only the design phase work of the most promising technologies will be completed. This seems to be a very small amount of proposed work in a program that showed a great deal of promise a few years ago. Besides budgetary constraints, is there a reason you are proposing to terminate work after the design phase?

Answer: In addition to budgetary constraints, we feel that industry should be able to pick up the development of the technology based on the completed design phase.

Question: What is the next logical step for this program and what are the funding requirements?

Answer: The next logical step for the ETX-II Program, beyond the completion of the design effort in FY 1986, would have been to (1) complete development of components, including associated developmental testing, and (2) complete the first phase of subsystem development, testing and integration activities. The funding requirement for such an effort would be $2,500,000.

Engineering Support for Propulsion Systems

Question: You have proposed to defer 300 thousand dollars of engineering support for both the single-shaft and dual-shaft a.c. propulsion systems at the Idaho National Engineering Laboratory. This is a logical step for the single-shaft system since you are proposing to terminate the program after you complete the design phase. Work on the dual-shaft system, however, will continue. Will this work be transferred or eliminated altogether?

Answer: The engineering support for both the single-shaft and dual-shaft a.c. propulsion system is being transferred to the Idaho National Engineering Laboratory. Due to the critical need for program continuity, we have made the programmatic decision to reduce the contract funding of the single-shaft contractor to provide this engineering support.

Question: If eliminated, where will the engineering support for the dual-shaft system be done?

Answer: The engineering support effort will not be eliminated and will be performed by INEL.

Griffon Vans and User Task Force

Question: You mentioned in your statement before the House Committee on Science & Technology Subcommittee on Transportation, Aviation and Materials on February 25, 1986 that significant progress is being made to fulfill the goals of the Electric and Hybrid Vehicle Research, Development and Demonstration Act of 1976. You also stated that after intensive characterization testing by the Idaho National Engineering Laboratory, six General Motors Griffon electric vans have been placed into operational fleet testing in the Department's cost-shared test and evaluation program. Would you say that the Griffon van project also contributes to the fulfillment of the goals of the Electric & Hybrid Vehicle Reseach Development and Demonstration Act of 1976?

Answer: The placement of the Griffon vans into operational fleet testing in a cost-shared contract with Detroit Edison is contributing to the goals of the Electric and Hybrid Vehicle Reseach, Development and Demonstration Act of 1976. One of the goals of the Act is the introduction of electric and hybrid vehicles into the Nation's transportation fleet thereby substituting more abundant domestic sources of energy for petroleum-based fuels. The characterization testing by INEL and the placement of the Griffon vans into fleet testing are the beginning stages of the field testing program by the private sector without Government funding. The Electric Vehicle Development Corporation (EVDC), composed of 44 electric utility companies, is field-testing 31 Griffon vans by seven of their member utilities. The goal of the EVDC program is the development of a market-compatible electric vehicle.

Question: How is the information gained through the Griffon van project being applied?

Answer: The operational fleet testing of the Griffon electric van is to evaluate the suitability of the technology for mission performance and to identify and resolve any vehicle deficiencies in its performance. Since the Griffon van was one of the first electric vehicles being produced on an assembly line, it was important to establish the reliability and durability in actual fleet operations. Product improvements that have been identified and passed on to the manufacturer are the need for an improved battery range indicator, an on-board charger and improved battery cap. Operation and maintenance costs of the Griffon are being gathered and compared to conventional commercial vans.

Question: What future benefits do you anticipate from the electric vehicle site operators user task force test and evaluation program?

Answer: The Site Operators' User Task Force test and evaluation program provides the unique opportunity to retrofit existing electric vehicles with new technology and to evaluate these product improvements in a field test environment. The future benefits from the testing and evaluation of product improvements that are being completed by the User Task Force will be competitive and reliable electric vehicles for their operational fleets. In addition to the Griffon van testing, the User Task Force is evaluating experimental gel-cell lead-acid and nickel-iron battery systems, battery watering systems, on-board battery monitoring systems and transistorized controllers. At the completion of the testing of these product improvements in the cost-shared Government supported program, the Department believes that the site operators will have ample incentive to continue the program on their own resources.

Technology Transfer for Electric and Hybrid Vehicle R&D

Question: In Electric and Hybrid Vehicle R & D, you are proposing to conduct technology transfer within each program activity. This is justified because substantial industry participation in the development activities will provide effective technology transfer in current technology areas. If industry is so interested, has technology transfer been overfunded in previous years?

Answer: Technology transfer has not been overfunded in previous years. Prior to FY 1986, funds for these activities were included as part of the research, development, test and evaluation programs conducted. In FY 1986 a separate funding request was made for technology assessments and transfer. Activities included the completion of an evaluation and seminars of advanced EV technologies, a Contractor Coordination Meeting and workshops on battery maintenance and new technologies training.

Question: What is a corresponding funding level for technology transfer if it is made part of program activities?

Answer: A corresponding funding level for technology transfer as part of the program activities in FY 1987 is $80,000.

Question: What is required for technology transfer in FY 87?

Answer: The most effective technology transfer in FY 1987 is the substantial industry participation in the research and development cost-shared contracts. The Department will also participate in the Eighth International Electric Vehicle Symposium sponsored by industry in Washington, D.C., which will take the place of the Contractors' Coordination Meeting. The publication and dissemination of technical reports of the technology development projects are required as part of our R&D programs.

Question: Is technology transfer really being shifted or eliminated?

Answer: The technology transfer activities are being funded as part of the program activities and are not being eliminated.

Transportation Energy Data Book

Question: You are proposing not to continue to collect, analyze and present transportation and energy data in the annual Transportation Energy Data Book. Is there a legislative mandate to collect and distribute this information?

Answer: No. There is no legislative mandate to collect and distribute the information contained in the Transportation Energy Data Book.

Question: How valuable a source of information is this document?

Answer: The information in the data book is used within the Office of Transportation Systems to keep abreast of current transportation energy use and trends, and to provide quantitative information in budget documents, program plans, and correspondence. Other offices in DOE (such as EIA) have cited the data book and used data from it in some of their publications. Many requests for the data book come from other Government agencies and private individuals who find it a valuable compendium of transportation energy information.

The basic information in the data book is available in diverse sources. Much of the derived data in the book is not available in any other source. For instance, the estimates of energy use by mode and fuel type are not available in any other single source. A table containing this information relies on 17 other primary sources (from DOT, FAA, DOE, DOC, AMTRAK, American Public Transit Association, and several private sources) for its construction. Much of the energy use data comes from DOE/EIA, but some of the data (such as the petroleum use by off-highway vehicles) is derived from runs of computer tapes and is not found in any other publication. Much of the auto travel data comes from the Nationwide Personal Transportation Study computer tape and does not appear elsewhere in printed form. Likewise, much of the trucking data comes from special runs of the Truck Inventory and Use Survey tape and does not appear in print elsewhere.

Question: Is this document used primarily inside or outside of DOE?

Answer: While the primary purpose of collecting, analyzing, and assembling the transportation and energy data is for the benefit of the program managers within the Office of Transportation Systems, there are many more users of the data outside the office and outside DOE. Over 1,000 copies of Edition 8 of the Transportation Energy Data Book were distributed. About 75 of these were given to people within DOE. Of the remaining copies, about 30 percent went to other Federal employees, 12 percent went to State and local government workers, 25 percent went to people at universities, and 33 percent went to individuals in the private sector or to trade associations.

Question: What are the FY87 funding requirements for the Transportation Energy Data Book?

Answer: The cost in FY 1987 would be $140,000 to collect, analyze, and present the data that is contained in the data book. This includes the costs of acquiring and running data tapes, acquiring numerous publications and reports, sorting out data inconsistencies, searching out new data sources, responding to periodic data requests from DOE, and producing and distributing the document.

High Temperature Materials Laboratory Research

Question: Funding for construction of the High Temperature Materials Laboratory will be completed in FY86. What research activities will be conducted in FY87?

Answer: It is expected that the High Temperature Materials Laboratory (HTML) will become operational in mid-FY 1987. There will be four User Centers in the HTML: a Materials Analysis User Center, a High Temperature X-Ray User Center, a Physical Properties User Center, and a Mechanical Properties User Center. Access of users to the HTML will be determined by a User Committee which will include representatives of Oak Ridge National Laboratory, industry, and universities. Applications for conducting experiments in the HTML will be made by submission of relatively brief written proposals. The actual research activities conducted in FY 1987 will be determined as a result of these evaluations by the User Committee.

Buildings and Community Systems

Turning to Buildings and Community Systems, you are requesting 14 million, 150 thousand dollars. This represents a decrease of 23 million, 130 thousand dollars, or 62 percent reduction from FY86.

Conservation Alternatives and Assistance

Question: Over the past couple of years, the Department has initiated studies to identify promising program alternatives as a means of assisting States, utilities, or community level organizations in implementing energy conservation programs.

Can you describe some of these studies and how they are used to implement energy conservation measures?

Answer: From 1978 to 1982, DOE funded Comprehensive Community Energy Planning (CCEMP) projects. Although these projects are no longer funded there are some examples of this approach continuing, such as the integrated planning framework established by the Florida State government, which helps local governments and regional planning councils incorporate effective energy strategies into their plans.

The DOE grants to the Urban Consortium Energy Task Force, which have been ongoing for seven years, have funded applied research projects in the area of community energy management that cover general planning and management, economic development, energy emergency preparedness, residential and commercial programs, transit programs, and regulatory and utility issues.

Least-Cost Utility Planning Program

Question: Last year, 1 million dollars was provided for what is commonly known as the "Least Cost Planning Initiative." This program is designed to make available needed analytical tools and data to utilities in an effort to determine the impact energy conservation has on utility long-term demand-side planning.

Can you explain the status of this program and what actions the Department will be taking during the rest of this fiscal year?

Answer: Following the application of the Gramm-Rudman-Hollings legislation, $951,000 was made available in FY 1986 for the Least-Cost Utility Planning Program. In December 1985, the Department allocated funding under this program to the Pacific Northwest Laboratory (PNL) for a study of the needs of the utility industry and utility regulators at the State level. In January 1986, PNL contracted with Temple, Barker and Sloane in Boston, Massachusetts, for support of this study. The report of the subcontractor was delivered to DOE on April 9, 1986.

The Department conducted a public briefing on the program on March 12, 1986, following announcement in the Federal Register, and received comments from the public. In addition, the Department has established a steering committee for the program, headed by the Director of the Office of Buildings and Community Systems, and made up of members of the Department's headquarters staff. Members of the committee have met with representatives of a number of organizations interested in the program, including the National Association of Regulatory Utility Commissioners (NARUC), the Edison Electric Institute (EEI), and the Electric Power Research Institute (EPRI).

On the basis of the contractor report, the recommendations of the public, and all of these interactions, the committee is now working to define the research program. This effort is scheduled to be completed by May 1986. At that time, decisions will be made on the allocation of the remainder of the funds appropriated for FY 1986.

Question: Since you are proposing no funds for this program in FY 1987, have utilities indicated a willingness to fund the program on their own or is the program essentially complete?

Answer: The Department hopes that completion of the funded activities will result in the willingness of utilities to fund this program on their own. Not all of the desirable study options that have been identified can be exercised with FY 1986 funds. The Federal initiative should help to stimulate industry interest and further studies would benefit utility stockholders and rate payers.

Equipment Retrofit Research

Question: Last year, the Building and Community Systems Program conducted research that led to the incorporation of more effective equipment retrofit measures in existing low-income weatherization programs. These measures can substantially increase the energy savings realized. Briefly describe this research and the equipment it generated.

Answer: In March 1984, DOE signed a cooperative agreement with the Alliance to Save Energy to establish oil and gas retrofit programs in 20 states. The purpose of this project is to provide states with a highly cost-effective program which is complementary to both the Low Income Home Energy Assistance Program (LIHEAP) funded by the Department of Health and Human Services and the DOE Weatherization Assistance Program. The project provides training and technical assistance to state program administrators and heating contractors so that the effectiveness of energy conservation efforts may be improved by including heating system retrofits in existing low income programs.

Five retrofit packages are being developed, tested and evaluated in this program. They are:

Oil System Retrofit: This retrofit package is installed in oil-fired furnaces and boilers which are operating at a steady-state efficiency of 73 percent or less. The conventional oil burner is replaced with a high efficiency flame retention burner. Additional items such as complete cleaning and sealing of all air leaks, primary controls, draft regulators, wiring, flue pipe and oil filters are installed as needed. The cost of this retrofit, which is paid for by either LIHEAP or the DOE Weatherization Assistance Program, is approximately $500.00 and it shows an average reduction in oil consumption of 20-25 percent.

Gas Furnaces Retrofit (A): A secondary condensing heat exchanger is installed on gas-fired forced air furnaces operating at an inefficient level. This equipment saves energy by drawing heating gases that would normally flow up a chimney into a special chamber. Additional items, such as the ones used for oil systems are also included, as needed. The cost of this retrofit is approximately $700.00 and it results in an average annual energy cost savings of 20-25 percent.

Gas Furnace Retrofit (B): A thermally actuated vent damper is installed on atmospheric gas-fired warm air furnaces operating at steady state efficiency below 82 percent. If the house has a gas-fired hot water heater, a thermally actuated vent damper is also installed in the water heater flue. Additional items such as the ones described above are included as needed. The cost of this retrofit is approximately $175.00 and it results in savings of 5-8 percent.

Converted Gas Furnace Retrofit: Coal and oil-fired heating systems that have been converted to gas heat may be good candidates for power gas burners. The operation of a power gas burner in a gas heating system is similar to that of a flame retention burner in an oil-fired system -- it allows the system to take advantage of a hotter flame and increase efficiency. The cost of this retrofit is approximately $500.00 and it results in an average reduction in gas consumption of 20 percent.

Gas Boiler Retrofit: Atmospheric gas-fired hot water or steam boilers can often benefit from a retrofit which includes an electric ignition device and an electrically activated full-closure vent damper. The electric ignition saves energy by eliminating the system's pilot light and the full-closure vent damper seals the flue when the system isn't running. Additional items such as the ones described above are included as needed. The cost of this retrofit is approximately $400.00 and it results in annual energy savings of at least 15 percent.

Question: Will this research reduce the approximately one thousand dollar per home cost of the weatherization program or increase the energy savings?

As shown in the above five retrofit packages, mechanical equipment retrofits, if substituted for existing low-income weatherization measures, could reduce costs and increase energy savings in many cases. However, such a complete substitution is not generally recommended. DOE believes that the best course would be to utilize weatherization packages which combine the most effective equipment and building shell retrofits. This approach has the potential for substantially increasing the 13-15% energy savings now being realized, on average, by low-income weatheriztion programs. DOE is now evaluating such combined approaches in the State of Wisconsin.

Program for Energy Analysis of Residences (PEAR)

Question: In fiscal year 1986, the Building Systems program will complete a survey of systems interactions in retail facilities. This was done through a cooperative effort with industry.

This is one example of a series of surveys that the Department has conducted. Others include energy conservation research measures in multifamily midrise and highrise buildings. This research was completed and published in handbook for developers, and designers in fiscal year 1985.

For the past couple of years, the residential side of Building Systems Interaction has been evaluating the interactions of energy features in different climates using the "Program for Energy Analysis of Residences" (PEAR). In fiscal year 1986, the PEAR will be tested, updated, and validated with thermal mass and apartment data.

Now that all this work is done, shouldn't it be transferred to builders and designers for their use?

Answer: Yes. The Program for Energy Analysis of Residences (PEAR), which includes thermal mass and apartment data, should be transferred to builders and designers for their use.

Question: If so, why haven't funds been requested for this transfer?

Answer: The Department of Energy requested no funds for this purpose in FY 1987 because funds to transfer PEAR to builders and designers were made available in FY 1986. In DOE's letter to Lawrence Berkeley Laboratory (LBL) authorizing funding for residential building systems interactions activities in FY 1986, funds were designated to complete a demonstration version of PEAR and distribute it to the building community.

Question: If the data wasn't going to be released, why weren't the funds proposed for rescission or for deferral?

Answer: The data is scheduled to be released by December 30, 1986, therefore funds were not proposed for rescission or for deferral.

Site Design

Question: In fiscal year 1985, the Department developed information and a model to predict energy savings resulting from design strategies that modify the site climate of clusters of buildings. In fiscal year 1986, the Department began field testing some of these design strategies in various regions. In fiscal year 1987, you have requested no funds for this activity. Did the Department complete all the necessary field testing?

Answer: Field testing is scheduled to be conducted from Summer 1986 through Winter 1986-1987 using FY 1986 funding.

Question: If so, did the field test indicate that refinement of the methodology would be necessary?

Answer: Pilot testing will begin approximately May 1986; this may indicate the need for some research design modifications.

Question: If the field testing was not completed, why was it initiated?

Answer: Field testing is being initiated to quantitatively document and identify the most effective site design strategies for achieving energy savings.

Question: Will this impact the conclusions?

Answer: The lack of FY 1987 funding necessitated a tighter scope of research but does not impact the value of the scope of work that is being conducted.

Advanced Refrigeration Systems

Question: During fiscal year 1986 in Advanced Refrigeration Systems, you expanded research, initiated research and expanded laboratory testing on a number of activities. This included expanded research in nonazeotropic refrigerant, expanded laboratory testing of advanced systems concepts in capacity modulation, and the initiation of studies of concepts for an advanced commercial building systems. Yet in fiscal year 1987, you have proposed no activities in this area. Are you expecting the results of all these efforts to be disappointing enough to cancel all activities?

Answer: Funds for research in capacity modulation, nonazeotropic refrigerant and commercial buildings were proposed in FY 1986 under the Advanced Refrigeration Systems key activity because these activities appear promising in saving large amounts of energy. Results to date and expected results in FY 1986 confirm this. However, due to budgetary constraints, it was decided that the Technology and Consumer Products program should concentrate its available funding in the highest priority areas, thermally activated heat pumps and lighting.

Question: If so, why not stop the research now and defer the funds?

Answer: Research conducted under FY 1986 funding will produce valuable results and help to establish a foundation for industry research inthese areas in the future. In addition, the FY 1986 funds will help to effectively transfer FY 1986 results and results from prior years' research to the private sector. Therefore, it is not appropriate to defer the FY 1986 funds.

Question: If not, what are the necessary funding requirements to continue the research next year?

Answer: The FY 1987 funding needed to continue research in Advanced Refrigeration Systems is $2.5M.

Appliance Standards

Question: You have requested no funds for Test Procedures and Consumer Education in fiscal year 1987 because the Department is seeking repeal of this program. What is the status of this repeal legislation?

Answer: Draft legislation is currently under consideration by the Department that would repeal the energy efficiency standards program, Section 325 of the Energy Policy and Conservation Act. However, the Department is not seeking repeal of either the test procedure or consumer education programs, Sections 323 and 337 respectively.

Question: If Congress does not act on this legislation, how will the Department fund this program?

Answer: Test procedures have been established for all 13 types of appliances; updates to the test procedures will be performed by DOE staff after consulting with manufacturers and organizations such as the American Society of Heating, Refrigerating and Air Conditioning Engineers.

Question: Will you be sending up a budget amendment?

Answer: We have no plans to send up a budget amendment.

Federal Energy Management Program (FEMP)

Question: The Federal Energy Management Program directs efforts to reduce energy use by Federal agencies. For fiscal year 1987, you have proposed a reduction of 137 thousand dollars, or about 11 percent.

Can you describe the status of the FEMP program and what impact this proposed reduction will have on the program?

Answer: The Federal Energy Management Program (FEMP) continues to assist Federal agencies in improving the efficiency of their buildings and facilities and their general operations. For the ten-year period ending in 1985, the Federal Government reduced its consumption of energy in buildings and facilities by 16.6 percent as measured on a Btu per gross square foot (Btu/GSF) basis. A slight increase was registered for the same ten-year period in general operations, largely because of the accelerated activities associated with military readiness by the Department of Defense.

FEMP's activities have been focused primarily on providing technical assistance to the Federal agencies so that an 11 percent budget reduction will not have a dramatic impact on the program. In 1987, emphasis will be given to hastening agencies utilization of multiyear "shared savings" contracts to retrofit government-owned buildings as authorized under the recently approved Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272). "Energy in Design" training workshops for Federal architects and engineers will be reduced and the seminars on standards for new and existing buildings, which probably will not be issued before 1988, will be delayed.

Question: When do you anticipate updating the guidelines for the Federal ten year building plan?

Answer: In the Executive Summary of the 10-Year Buildings Plan, it was stated that the American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE) and the Illuminating Engineering Society (IES) were developing a series of standards (ASHRAE-100) for existing buildings while DOE was developing standards for new commercial and residential buildings which will be mandatory for Federal agencies. Although there is no statutory requirement to update the Plan, we indicated that upon completion and demonstration of the efficacy of these standards, the Plan would be amended to incorporate the new standards. Neither the full set of ASHRAE standards for existing buildings nor the DOE plans for new buildings have been issued and demonstrated to date; therefore, FEMP proposes to delay updating the guidelines until FY 1988 at the earliest.

Standards for Commercial and Residential Federal Buildings

Question: What is the status of the development of the mandatory standards for commercial and residential Federal buildings?

Answer: The Notice of Proposed Rulemaking (NOPR) for the Interim Commercial Building Standard, which will be mandatory for Federal buildings, is currently in internal review at DOE and should be published in the Federal Register later this summer. The Interim Federal Residential Standard NOPR is currently undergoing internal review and is expected to be published in the Federal Register this spring.

Question: The Department is proposing to terminate funding for the RCS and CACS program in fiscal year 1987. As you know, the RCS mandate expired on January 1, 1985 and has not been extended.

Does the Department have any plans to continue this program on a voluntary basis?

Answer: Consistent with the shift away from a Federal regulatory role, activities were initiated in FY 1985 to encourage voluntary utility energy efficiency programs which are more cost effective than RCS and better suited to utility needs. These activities are continuing in FY 1986 on a limited basis. For FY 1987 DOE proposes to terminate Federal support for RCS and CACS. Under this proposal limited DOE staff assistance would be provided to utilities and related groups to encourage voluntary energy efficiency programs using non-Federal funds.

Heat of Reaction Systems

Question: You are proposing to build a laboratory breadboard component for heat of reaction systems and tests to verify analytical predictions made in previous fiscal years. Yet, your justification indicates that there will not be any tests performed in FY87.

What is the anticipated cost of this breadboard and when will it be completed?

Answer: The anticipated cost of the heat of reaction breadboard model is approximately $700,000. Completion of construction will be in late FY 1987.

Question: Are you planning any tests in FY88?

Answer: Yes, tests will be initiated as soon as the breadboard model is completed and the test rig is completed and checked out. The breadboard component model provides a test vehicle for testing heat of reaction chemical pairs, evaluation of materials of construction (corrosion), potential temperature lift, and some performance data to be used in the design of an engineering model.

Question: If tests are held, what are the costs?

Answer: Costs of tests and associated analyses in FY 1988 are estimated at $650,000 for the breadboard component model.

Oxygen Enriched Combustion

Question: In fiscal year 1986, you will complete testing and evaluation of carbon dioxide through oxygen enriched combustion in a furnace to ascertain cold wall radiant effect and tube deposition effects.

What has been industry's reaction to these tests?

Answer: Two laboratory-scale tests were planned for this project, a one-half million BTU/hr test and a 6 million BTU/hr test. The results of the first test have induced a power company Black Hills Power Co., near the Wyoming oil fields, to propose an additional cost-shared test but using one of its own small, 2 million BTU/hr moving grate furnaces. If successful, this intermediate test would support the company's conversion of one of its 30MW power boilers at their own expense. However, these results would be very specific to a small segment of the power industry which uses stoker fed coal boilers with low operating temperature boiler tubes. The 6-million BTU/hr test would be representative of modern pulverized coal high pressure/temperature furnace boilers. Thus, the originally planned 6 million BTU/hr test will be conducted. The results of these tests will be disseminated to the industry to generate further interest.

Question: Are you planning any jointly funded proof of concept systems?

Answer: One is the Black Hills 2M BTU test; if successful this will prove the concept to that company. If industry shows interest in the 6M BTU test technology, consideration of a cost-shared proof of concept test is a possibility.

In-Forest Residue Wood Dryer

Question: In fiscal year 1986, you will complete the in-forest residue wood dryer development and test.

Can you describe this test and the surrounding research?

Answer: Field tests of a research batch dryer system have substantiated the program promise that forest residues can be dried in the forest to increase the weight to volume ratio for trailer hauling of the dried wood chips to non-forest product industries. However, a trailer load of wood chips takes eight hours of drying time which makes the system economically marginal. Research efforts are now directed toward a continuous type of field dryer that can reduce the drying time to about two hours per trailer load. This will greatly improve the economics of operation.

Question: Why are there no plans for FY87?

Answer: FY 1986 funds are planned for this dryer effort. Although the work will carry over into FY 1987 no additional funds are planned at this time.

Question: Did the tests fail to indicate any potential waste wood products?

Answer: No. The proposed product from this program was the use of forest residues as a fuel for industrial boilers and tests have shown this to be successful. In addition, there appears to be a market for the dried chips as pulping stock.

Steam Diesel Test Engine

Question: In fiscal year 1986, you will complete the design for a steam diesel test engine. This is being done after several studies and two years of design work. Unfortunately, there is not a request in FY87 to install and operate this test engine.

Has the industry response been so strong that they will be taking this project over?

Answer: Although there is a great deal of interest by the industry to the successful testing done to date, the industry requires additional information before they are willing to commit to a major program of this type. Although supportive, they wish to obtain information on wear properties of the coal-water slurry fuel and its rheology in terms of its fuel handling characteristics.

Question: If not, have the results been so disappointing that this work should be eliminated?

Answer: The results from the final test engine operation using coarse grind fuel and an economic evaluation are very promising and indicate that, when developed, the steam diesel burning domestic fuel will be competitive with oil burning diesels, while emitting less nitrous oxide compounds and less particulates to the atmosphere.

Question: What funds would be required to find a site and test this engine?

Answer: A study is now underway to estimate the technical needs and costs of a test facility. Major cost sharing by the industry would be requested for this facility.

Lower Temperature Gas Turbine

Question: In fiscal year 1986, you initiated a design study for use of a lower temperature gas turbine to eliminate a topping combuster. Yet your justification indicates that no funds are proposed for FY87 to complete this study or make any further economic assessments.

What is the status of this study and how much has been put into it?

Answer: The study or the performance of a lower temperature gas turbine was combined with an on-going, more definitive, study in order to save money. The initial study on the combined basis has been completed.

A total of 3 million dollars was expended on the combination of the equipment definitive study and the effect of not including the combustor and operating at a lower temperature.

Thermionic Diode

Question: Your justification indicates that, in FY86, you will continue to develop a larger more efficient thermionic diode which is more economic to manufacture. Yet, your justification indicates that no activities are planned in FY87.

Has a more efficient thermionic diode which is more economic to manufacture been developed?

Answer: No, an improved performance diode with better economics has not yet been developed.

Question: Have laboratory tests been conducted?

Answer: Laboratory tests have been conducted on a 2" diameter industrially configured diode. Results of these tests indicated that the performance is less than predicted and the configuration of the diode exhibited difficult manufacturing problems.

Question: If not, why haven't you requested funds?

Answer: Since the industrially designed diode performance was less than predicted and was less than the earlier laboratory configured units, a decision was made to initiate a request for proposal for new innovative approaches for diode concepts. FY86 funds are adequate for this concept phase which will be continued through the next fiscal year.

Question: How much has been put into this project so far and how much is required to conduct the necessary laboratory tests in FY87?

Answer: IP funding to date is approximately $1,250,000. Since a new approach is under consideration and a phase I concept effort is anticipated for FY 1986, laboratory testing in FY 1987 is premature.

Organic Rankine Cycle

Question: In fiscal year 1986, laboratory testing of Organic Rankine Cycle (ORC) fluids continued. Yet, no funds have been requested in FY87 for this work.

Have the results of the FY85 and FY86 tests indicated that this is not a feasible cogeneration system?

Answer: The Organic Rankine Cycle bottoming program has concentrated on component development, not system development. An important component is the working fluid. The ORC fluid testing will be completed for the initial cadre of candidate fluids with FY 1986 funds. The analysis of test results will carry over into FY 1987 although no additional funds are required.

Question: If so, why proceed with any tests in FY86 at all?

Answer: The working fluid is a key component of the ORC system and base line information on the performance of these working fluids is important to developers of these systems. The test operations for the initial list of fluids will be completed with FY 1986 funds.

Question: If not, why not complete laboratory testing?

Answer: The ORC fluid testing will be completed.

Question: How much has been spent on this research and how much would it cost to complete laboratory testing?

Answer: Approximately one million dollars has been spent over a four year period to design and build the specialized equipment and conduct the test operations for these organic fluids.

BiPhase Separator

Question: Your justification indicates that you will complete performance evaluation of a composite material biphase separator component in a model test unit in fiscal year 1986.

How big was the model test unit?

Answer: The composite material biphase test unit has a 12" diameter separator.

Question: Was this model large enough to evaluate its performance for commercial use?

Answer: The test unit was a proof of concept size; full size industrial units may range in size from 12 inches (same as the test unit) to 36 inches.

Question: Has industry expressed an interest in this smaller model test unit?

Answer: Not yet. The 12" diameter unit as designed is strictly an engineering test model to evaluate the integrity of the materials under the stress conditions reached at a rotational speed of 28,000 rpm. This is 10 times faster than the present technology 36" diameter unit.

Sensors and Controls

Question: In Sensors and Controls in FY86, you will continue to develop a dry coating system for textiles but have proposed no work in fiscal year 1987.

Will this dry coating system be completed and tested in FY86? If not, will the textile industry be taking over this work?

Answer: Laboratory R&D and proof of concept testing for dry coating of textiles will be completed in FY 1987 with funds from prior years. Industry will make its decision on adoption and commercialization at that point.

Black Liquor

Question: In fiscal years 1985, 1986 and proposed in fiscal year 1987, the Department is continuing research on black liquor properties and combustions. Your justification does not indicate the success or failure of this research but only that it is continuing.

What is the status of this research?

Answer: Research on black liquor properties and combustion is being conducted at the University of Florida, the Institute of Paper Chemistry and the University of Maine. Four projects are being supported. Approximately 50 per cent of the time originally anticipated for the combined research effort has elapsed, and about 60 percent of the projected funding has been provided.

At least six paper companies and one equipment manufacturer are utilizing the results of DOE-supported black liquor properties research. The paper companies have used the documented data on solids viscosity, density and surface tension to make adjustments within their pulp mills, after purchasing the appropriate instruments. HPD, an equipment manufacturer, has begun incorporating some of the published data into designs of equipment such as evaporators and precipitators.

A major objective of the work is achieving the ability to fire black liquor with higher solids contents, thus realizing energy savings. Other important objectives include production increases without new capital investment, improved chemical recovery from black liquor and decreased sulfur pollution. Review meetings on individual projects are conducted regularly. One major conference involving all of DOE's black liquor researchers, with extensive representation by paper manufacturers and equipment makers, is conducted each year.

Question: What is the intent of the Department when the research is concluded?

Answer: With technology transfer an on-going activity, the requirements for additional transfer at the conclusion of the program should be minimal. However, the merits of combining important results into a single publication has been discussed with industry representatives.

Annual Report on Industrial Energy Efficiency Improvement

Question: The National Energy Conservation Policy Act of 1978 requires industry to submit receipt and analysis of reports on energy efficiency improvements. For the past several years, DOE has been receiving this information and publishing it in an annual report.

In fiscal year 1987, however, you are proposing not to continue this activity.

Is the Department sending up legislation that will eliminate this reporting requirement? If not, is the information going to be collected but not distributed?

Answer: The Department does intend to propose legislation that will eliminate the Industrial Energy Reporting Program. A draft of this legislation (The Energy Conservation Simplification Act) is currently being prepared by DOE. If the reporting program requirement is not eliminated, however, DOE will continue to collect and distribute the information.

The Department is initiating a new survey, the Manufacturer's Energy Consumption Survey (MECS) which will obtain more statistically reliable information from a sample of all manufacturing establishments on a proposed triennial basis. This information could be used to produce measures of energy efficiency which would serve the same purpose as those now presented in the "Annual Report to the Congress and the President on Industrial Energy Efficiency." Since it would also produce additional types of information it is expected to be more cost effective.

Energy Analysis and Diagnostic Centers

Question: In fiscal year 1986, funds were provided for the Energy Analysis and Diagnostic Centers. These centers are located at 12 participating universities around the nation. They conduct audits and define energy conservation opportunities that can be pursued by small and medium sized firms.

The Department has requested no funds for these centers in FY87 either.

What was the impact of sequestration on these centers?

Answer: There has been no impact on the program at this time. FY86 funding ($1.5 million) will allow for continuation of the program at existing levels through September 1987. There have been two EADC's, at Tri-State University and Prairie View A&M, which have dropped out of the program in FY86. This was not related to budget constraints, but was due to staff shortages and other priorities at the universities.

Question: If a center was eliminated through sequestration, why wasn't the program reduced across the board?

Answer: No centers were eliminated.

Question: Have small and medium firms maximized their energy conservation potential?

Answer: Small and medium-sized firms have, in general, relied on housekeeping measures as the method most frequently used to save energy. As these relatively simple and inexpensive measures are used up, other more expensive measures will have to be employed to enhance energy efficiency improvement. There is still substantial room for improved energy efficiency in smaller firms.

Question: If not, why hasn't the Department requested funds in FY87? Isn't it cost effective?

Answer: While the EADC program is cost effective, the program is not included in the FY 1987 budget because of budgetary constraints. A program decision was made to fund only highest priority research and development activities. We believe that well established EADC's, which have shown themselves to be of use to the community, may find support to continue their services from State and local governments, the universities or private industry.

Technology and Information Transfer

Question: In Technology and Information Transfer for FY87, you are proposing to continue to develop, publish and distribute written materials on energy saving technologies. This is essentially the same work that was done in fiscal year 1986 but at a cost three times as high as the FY87 request.

Was there an abnormal requirement in FY86 making additional funds necessary?

Answer: There were no abnormal or unusual technology transfer requirements in FY86.

Question: If not, specifically, what activities will be reduced or altered to make the reduction in FY87?

Answer: Since the overall program for industrial energy conservation will be smaller in FY87 there will be less requirement for technology transfer activities. As a cost savings measure fewer conferences, workshops and seminars will be supported, along with economies in the publication of technology transfer documents and studies produced. Distribution of reports will be focused to be more cost effective.

Regenerator Performance Data

Question: Research initiated in FY 1985 on the anomalies between theoretical and actual regenerator performance data will be completed in FY 1986. In FY 1987, however, you are proposing to terminate this activity. Is there reason to believe that when this research is completed, there will be no reason to incorporate the results into analysis models for energy conservation?

Answer: By the end of FY 1986, the anomalies that exist between theoretical and actual regenerator performance will have been fully characterized. So far, research has revealed evidence that performance anomalies for annular regenerators used in free-piston Stirling cycle technology include those resulting from the unsteady reversing flow oscillations through the cycle. These oscillations are being studied in the Reversing Flow Test Facility, a specially designed experimental apparatus, and the results of the studies are used to validate analytical prediction computers models under development.

Question: What would be the cost to continue this research to the next phase and how far would that phase be from the point where industry would take over?

Answer: To continue this research to the next phase would cost $400,000. This would provide sufficient funds to fully characterize the reversing flow oscillation anomalies and to incorporate that understanding into the applicable analytical models. Since the results at this point would reflect outputs of the coupled theoretical and experimental analyses, it is expected that industry would be in a position to begin to develop improved design correlations based upon this new knowledge.

Computer Code for Heat Exchangers

Question: In FY 1986 you will develop a computer code for design of heat exchangers without fluidelastic instabilities but are proposing to terminate the activity in FY 1987. If this activity is terminated, what are you proposing to do with the computer code?

Answer: The ongoing development of the computer code for the design of heat exchangers without fluidelastic instabilities has been coordinated and to an extent, funds have been cost-shared with the Heat Transfer Research, Inc. (HTRI) and the Electric Power Research Institute (EPRI). These would likely be the initial recipients of the current version of the code.

Direct Energy Conversion Technology

Question: In FY 1986, research was initiated on direct energy conversion technology in an effort to advance current state-of-the-art to develop options for utility and industrial applications. In FY 1987, however, you are proposing to terminate this activity. Why even initiate this activity if you aren't going to follow it through?

Answer: The FY 1986 effort entails the identification of and the appraisal of candidate direct energy conversion technology concepts to determine the specific research needs of the technology base. These research needs will be assessed to identify those areas suitable for further applied and exploratory research activity. The results will provide a preliminary state-of-the-art analysis and assessment and will form a specific agenda of research priorities. It is expected that this research agenda will include technical issues which are crucial to the successful development of such devices as topping cycle components and simple direct thermal-to-electric conversion devices.

Question: What is the next logical step for this research and what are the FY 1987 funding requirements?

Answer: The FY 1986 effort is identifying research needs and innovation concepts. When that has been done, it will be possible to properly plan for specific research projects that are given high priority.

State and Local Assistance

Question: If Congress or the Court mandated DOE to monitor the Exxon funds the same way you have monitored appropriated funds, what would be the cost?

Answer: DOE is currently gathering more definitive figures on actual costs to monitor Exxon funds. Until then, it is difficult to provide a reasonable cost estimate for monitoring the Exxon funds without the knowledge of how the States elect to allocate the funds among the five eligible programs. However, in FY 85 an estimated 35% of OSLAP staff time costing an estimated expenditure of $3.5 million was required to provide monitoring of appropriated funds. In addition, DOE headquarters disbursed about $2.8 million to the field offices for contractor performed monitoring, technical assistance, and information exchange in FY 85.

Question: Since the States cannot use any of the Exxon funds for administrative costs, how will they fund such costs?

Answer: On June 10, 1986, the United States District Court for the District of Columbia denied a motion by the States to use Exxon funds for administrative expenses. However, the Court applied DOE's Ruling 1983-1 under which overcharge funds are added to appropriated funds to determine the base amount from which a percentage of appropriated (not Exxon) funds would be available to States for administrative expenses. The Court also noted that if insufficient funds are appropriated, the States may renew their motion to the Court regarding use of Exxon funds for administrative expenses.

Question: What kind of success have you had in developing financing alternatives for the State grants programs?

Answer: The Office of State and Local Assistance Programs has sponsored alternative and innovative financing initiatives, since 1981, with the expectation that these projects will generate results for many years: making building owners more comfortable with innovative financing; demonstrating how such approaches can work in carefully structured situations; eliminating impediments; and encouraging State use of innovative financing.

In both the Weatherization Assistance Program (WAP) and the Institutional Conservation Program (ICP), ongoing demonstration programs will provide information on the ways in which alternative financing arrangements can support energy conservation.

WAP initiatives are designed to: demonstrate the effectiveness of selected innovative financing mechanisms; identify the role private financing might play in expanding WAP coverage; and more rapidly effect energy improvements in the low-income multifamily sector. Pilot projects are testing three approaches: shared savings, energy service company/business development; and bank participation.

The Institutional Conservation Program (ICP) has funded a number of efforts to demonstrate the viability of innovative financing approaches for institutional buildings, including studies of financing approaches appropriate to hospitals, and demonstrations involving several colleges which are members of the United Negro College Fund. In addition, the ICP office and several States are working on initiatives to encourage institutions which have applied for, but not received, ICP grants, to seek alternative, innovative sources of funding for energy efficiency improvements.

The State Energy Conservation Program (SECP) and the Energy Extension Service (EES), which provide funding and technical assistance to support State energy efficiency efforts, encourage States to leverage their Federal funds to attract more private sector resources and audiences for energy efficiency efforts. A strong State-sponsored network is growing among States to encourage and assist other States in promoting the use of shared savings and other innovative financing techniques.

Based on DOE encouragement, States have sponsored conferences and demonstrations to introduce innovative financing concepts to building owners; several State energy offices have influenced the passage of legislation to allow entities such as municipal governments to enter into multi-year performance contracts. In several instances, State energy offices have facilitated the formulation of agreements between building owners, energy service companies, and financiers. In one State, a State agency is acting as the third party to provide financing for State institutions to fund energy efficiency improvements, thereby retaining all profits that would accrue to the third party and reducing the payback period.

Additional information on, and examples of, alternative financing projects that State and Local Assistance Programs have funded can be found in the report, Innovative Financing: A Survey of Projects Supported by the U.S. Department of Energy, DOE/CE-0145, February 1986.

Energy-Related Inventions Program

Question: In the Energy-Related Inventions Program, you are proposing to evaluate one thousand inventions in FY 1987. This is a reduction of one thousand inventions from the FY 1986 level. Can you briefly explain how this program works and how you will eliminate evaluating 1000 inventions?

Answer: The National Bureau of Standards performs a technical evaluation of all inventions submitted to it. On the basis of evaluation results, those inventions identified as most promising in terms of technical feasibility, marketability and energy consumption impact are recommended to the Department of Energy for support. Historically, less than two percent of all inventions evaluated are recommended for support. The projected reduction in the number of evaluations to be performed in FY 1987 is a reflection of the proposed reduction in funding; there is currently no reason to anticipate a reduction in the number of inventions submitted for evaluation. The projected reduction in evaluations to be performed therefore implies creation of a backlog to the extent that the number of inventions submitted exceeds 1000, however, reduced Department solicitation efforts may limit applicants to the number which can be evaluated.

Question: For the past couple of years, you have conducted six National Innovation Workshops around the country. In FY 1987, however, the number of workshops will be reduced to four. Briefly explain how these workshops are conducted and how sites are selected. How will the site selection change in FY 1987 so the country is still covered?

Answer: These workshops were initiated in 1980 as a means of informing inventors about the Energy-Related Inventions Program and improving the innovation capabilities of inventors. Another objective of the Workshop series is to assist inventors (and thus stimulate innovation in general) by putting them in touch with their community resources and by providing practical instructions in the various elements of the innovation process. Workshops are conducted in a standard format as 2-day seminars. On each day a plenary session and a luncheon session feature national-level speakers on invention and innovation. Three 1-1/2 hour periods each day are designated in which 8 to 10 concurrent workshop sessions are conducted. The workshops are organized as regional activities by a committee composed of representatives from such regional organizations as universities, venture or other financing groups, private sector institutions concerned with technological innovation, state and local government agencies, patent law associations, etc. The federal role is catalytic in nature: workshop feasibility is demonstrated with the expectation that the regional committee will continue workshops and similar activities in the future without federal involvement. No change in site selection is necessary as any site not selected in FY 1987 will most likely be selected in FY 1988.

Question: The average cost for DOE to provide support for inventors jumped up to 85 thousand dollars per inventor in FY 1986. This compares with 58 thousand dollars in FY 1985 and proposed in FY 1987. Is there a reason the FY 1986 number is 32 percent higher? How successful has this program been in the past? How will you reduce the number of inventors from 34 in FY 1986 to 22 in FY 1987?

Answer: In fact, the average in 1986 will not be $85,000. The average direct grants to supported ERIP inventors since 1984 has been $58,000 and the planned average for 1986 and thereafter is $60,000, the FY 1986 new authorization provides $2,050,000 for 34 inventors. The funding available from carryovers and deferrals will provide support for an additional 15 inventors from our increased number of recommendations and the backlog of inventors awaiting funding. The current evaluation of the Program's effectiveness has provided initial data that indicates a high rate of success by the inventors in the programs. Inventors have commercialized over 50 technologies with a large number still in the marketplace. The emerging figures developed by the Oak Ridge National Laboratory indicate annual sales in excess of $50 million and over $20 million in energy savings. The evaluation report will be completed in December 1986 and will be made available to the committee. In 1987, inventors will be supported in the order in which they develop statements of work acceptable to DOE. The anticipated backlog will be carried over to FY 1988.

Innovative Concepts Program

Question: The Innovative Concepts Program will be completed in FY 1987 by using unexpended balances from FY 1986. This program was designed to conduct a competitive solicitation in innovative energy conversion devices for the handicapped and elderly. Please describe the status of this program and what part will be carried over into FY 1987?

Answer: A recent report from the National Academy of Sciences suggested innovative concept topics for use in our next solicitation. As a result, we plan to ask for concepts on sensors and controls in our third solicitation as a logical follow-on to our first solicitation in buildings materials and our second in industrial processes. We are concurrently conducting research on identifying inventions that are needed in solving energy conservation problems. The development of the solicitation will be completed in FY 1986, and the supporting research and publication of results will be done in FY 1987 using carryover funding from FY 1986. It is proposed that the concepts that are technically feasible and have an energy impact will be forwarded to the National Bureau of Standards for evaluation under the Energy-Related Inventions Program.

Question: What are the funding requirements in FY 1987?

Answer: No further funding for FY 1987 is being requested at this time.

National Appropriate Technology Assistance Service

Question: Your justification indicates that there is a decrease from FY85 through FY87 in the request for technical assistance pertaining to appropriate technologies from the National Appropriate Technology Assistance Service (NATAS).

Is the reduction in requests caused by the funding reduction or does the funding reduction reflect a lack of interest on the part of the public?

Answer: The projected reduction in requests reflects the anticipated reduction in funding for the National Appropriate Technology Assistance Service. Due to budgetary contraints which require reduced funding in areas of lower priority, efforts to promote the technicial assistance program will be curtailed resulting in a reduced number of inquiries from the public.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

Steel Industry Research

Question: Please provide a description of each research project which has been, or is being, conducted in cooperation with the steel industry.

For each project, please indicate the FY 1985 and 1986 funding levels and indicate your FY 1987 OMB and congressional budget request for these items.

Answer: Four projects, each with the objectives of improving energy efficiency and overall productivity in steel manufacturing, are being supported. These involve research and development on:

1. A process to directly cast thin steel slabs suitable for hot rolling, under a cooperative agreement with U.S. Steel and Bethlehem Steel.

2. A single wheel approach to the direct casting of steel strip suitable for cold rolling, under a contract with Westinghouse and Armco.

3. A method for rapid in-process chemical analysis of molten steel, at the Idaho National Engineering Laboratory.

4. An electromagnetic acoustic transducer technology for determining the temperature profile of steel solids in process at DOE's Pacific Northwest Laboratories.

The funding levels and requests for these projects are as follows:

Projects	FY 1985	FY 1986	FY 1987	
			OMB	Congressional
1	3,650	5,800	9,000	1,700
2	1,000	1,300		
3	355	150	0	0
4	70	365	0	0
Total	5,075	7,615	9,000	1,700

Industrial Project Terminations

Question: Within Industrial Programs, please provide a list of all discrete projects which are being terminated, identify the phase through which research will have progressed through the date of termination, and indicate any non-Federal entities cooperating in this research and levels of cost-sharing provided, if any.

Answer: The requested information follows.

	Projects	Termination Before Planned Normal Completion	Phase 1/ Completed	Cost Sharing	Non-Federal Entities
a)	Advanced coal burner development for industrial furnaces	x	Technology Development	0%	Energy & Environ. Research; Science Appli. Inc.; Management and Technical Consultants, Inc.
b)	Field testing of a ceramic tubular distributor plate for fluid bed heat exchanger	x	Exploratory Development	26.4%	Aerojet
c)	Development of a magnetic heat pump concept	x	Exploratory Development		
d)	Development of an air heater for an externally fired Brayton cogeneration system	x	Exploratory Development	7.6%	Westinghouse, Babcock & Wilcox, Combustion Engineering, Foster Wheeler, Stone & Webster
e)	Development of organic Rankine cycle components and working fluids	x	Technology Development	20%	Northern Research (Prime Mover)
f)	Development of thin strip casting	x	Exploratory Development	12.4%	USSteel, Bethlehem Steel; Westinghouse, Armco

1/ Phases of Research and Development:
1. Basic Research
2. Exploratory Development
3. Technology Development
4. Engineering Development Pilot-Scale
5. Full-Scale
6. Demonstration

Integrated Conservation R&D Program Priorities

Question: Would you please provide for the record a list of R&D projects, in priority order, totalling $75 million, which you would propose if additional funds were available? For each project, please identify its subprogram element and proposed funding increment.

Answer: The difference between the FY 1987 OMB and Congressional budget requests was approximately $79,000,000. The following priority list of research activities totals $60,000,000. The sub projects within each priority listing are of comparable priority. Activities not included in the listing, but which were in the original OMB request (program direction, technology transfer, statutory programs) total $19,000,000. If funds were also to be appropriated for these functions, program direction and capital equipment ($5,400,000) would be assigned a high priority, technology transfer, Energy Related Inventions and FEMP ($10,700,000) would be assigned a medium priority, and statutory programs ($2,900,000) would be assigned the lowest priority consistent with the Administration's desire to repeal these programs.

Priority	Program Office	Project Title and Description	Amount ($000)
1	TS	Advanced Materials Development o Enhanced Ceramic Program	$6,500
2	IP	Waste Energy Reduction o Nat.'l Lab Support o Improved Combustion Efficiency o Advanced Coal Burner Development o Heat Pump Technology o High Temperature Recuperators o Gaseous Wastes	$5,200
3	TS	EHV Batteries o Nickel-iron o Sodium-sulfur o Zinc-bromine	$,1700
4	IP	Industrial Process Efficiencies o Separations o Low Temperature Sensor Development o Electrolysis Process o Coatings	$3,200
5	BCS	Technology and Consumer Products o Advanced refrigeration systems research o Combustion systems research o Additional research on thermally activated heat pumps o Lighting equipment research	$4,000

Priority	Program Office	Project Title and Description	Amount ($000)
6	MS	Energy Conversion and Utilization o Materials (corrosion-resistant, materials-by-design-, and lightweight) o Combustion (continous) o Tribology (lubricants, coatings, mechanisms of friction and wear, friction and wear testing, o Catalysis/Biocatalysis (bio-process engineering, catalysis-by-design, biologically effected separations/beneficiation) o Thermal Sciences (advanced conversion technology, advanced heat transfer)	$5,600
7	TS	Vehicle Propulsion R&D o Vehicle Propulsion R&D Gas Turbine Components Adiabatic Diesel	$3,500
8	IP	Industrial Cogeneration o Steam Diesel o Direct Thermal to Electric Conversion	$ 500
9	TS	Alternative Fuels o Synthetic fuels o Methanol o Methane	$1,600
10	BCS	Building Systems o Research on new materials o Research on fenestration and daylighting o Commercial buildings integration and performance stimulation o Retrofit of multifamily and single family residences	$5,800
11	IP	Waste Energy Reduction o Industrial Wastewaters o Wood Fibrous Waste o Mixed & Inorganic Waste	$1,100
12	BCS	Community Systems o Research on innovative district heating technologies	$ 900

Priority	Program Office	Project Title and Description	Amount ($000)
13	TS	EHV Propulsion Systems o Dual-shaft o ETX-II	$3,300
14	IP	Industrial Cogeneration o Externally Fired Brayton System o Bottom Cycle Development	$3,000
15	TS	EHV Test and Evaluation o INEL Lab and Dyno Testing o Site Operations	$2,600
16	IP	Industrial Process Efficiency o Industrial Process Efficiency Thin Strip Casting	$7,300
17	BCS	Technology and Consumer Products o Equipment integration research	$1,100
18	BCS	Building Systems o Research on moisture effects on existing buildings o Additional research on walls and roofs o Residential buildings integration research o Retrofit of commercial buildings	$1,900
19	BCS	Community Systems o Feasibility grants to communities for district heating o Community energy system integration	$1,200

TS - Transportation Systems
MS - Multi-Sector
IP - Industrial Programs
BCS - Buildings and Community Systems

Question: For each project which is not new but represents an enhanced level of funding over the budget request for a previously listed priority addition, please note in parentheses beside the funding increment the new funding total for the project.

Answer: No such funding increments are included in the priority listing.

Conservation Research and Development Employment

Question: Public Law 97-257 established employment floors for certain programs assigned to the Assistant Secretary for Conservation. Please indicate for the most recent reporting period the distribution of authorized positions by organizational element and the actual number of employees on board.

Answer: The distribution for the Congressional Floor Full-time Permanent (FTP) Positions in Conservation R&D and the policy and management line (Office of Assistant Secretary for Conservation and Renewable Energy [AS/CE] and Office of Management and Review [OMR]) and on-board strength by organizational element is as follows:

Organization	Congressional Floor	On Board Full-Time Permanent 1/
*DAS/C	6	5
*BCS	67	57
*IP	34	26
*TP	35	29
*EUR	9	6
Subtotal Conservation R&D	151	123
AS/CE	3	4 2/
OMR	18	20
TOTAL	172	147

1/ As of February 28, 1986

2/ 1 position FTP; 3 positions Full Time Temp (Schedule C)

* Deputy Assistant Secretary for Conservation (DAS/C)
Buildings and Community Systems (BCS)
Industrial Programs (IP)
Transportation Systems (TP)
Energy Utilization Research (EUR)

Question: The February 28, 1986 Monthly Employment Floor Report, which is supplied to the Committee, indicates that conservation research and development is 25 positions below its minimum assigned strength. What specific actions has the Assistant Secretary taken to assure compliance with the law?

Answer: We are continuing to have difficulty in recruiting for professional staff in our Conservation R&D programs. The skills required are engineers and scientists with specialized training in "hard-to-find" specialities, e.g. metallurgy, materials, fuels technology, etc. Our success in recruiting continues to be poor and has been made more difficult by: (1) the passage of Gramm-Rudman-Hollings and its possible effects on our programs; (2) the potential major changes in Federal retirement affecting new employees; and (3) the federal salary freeze.

Since the reporting period (February 28, 1986) we have hired 3 additional staff (2 in BCS and 1 in IP). We have revised and prepared new actions for the other vacancies including approving an advertisement to be published in "Iron Age" for metallurgists for our Conservation R&D programs.

Question: How many positions are assigned to the Office of the Assistant Secretary, and how many of these were filled during the most recent reporting period?

If the on-board strength exceeds the number of minimum positions, how is this justified in view of the shortfalls in the other conservation offices?

Answer: As shown on the chart above, there are 3 FTP's assigned to the Office of the Assistant Secretary for CE. Of these 3 FTP's only 1 is filled as a full-time permanent position. However there are also 3 full-time temporary positions in the Office of the AS/CE that are charged to the Energy Conservation Appropriation. None of these positions have been filled during the reporting period.

The temporary positions in the Office of the AS/CE are all policy advisor positions. These positions are required for program policy development and serve at the pleasure of the Assistant Secretary. Tenure is very limited in these positions, while the positions required in the Conservation R&D programs are highly technical and difficult to fill permanent career positions.

Questions Submitted by Senator Mark Andrews

Use of Petroleum Overcharge Funds

In the Administration's proposal to eliminate energy conservation grants to states, it anticipates substituting federal funding with oil overcharge refunds. My chief concern is that the states can continue to administer their conservation programs in a smooth and orderly manner.

Question: How many overcharge cases are there?

Answer: Approximately 300-400 cases are remaining to be resolved.

Question: What is the length of time that you anticipate for their conclusion?

Answer: At least until 1991.

Question: Do you expect the conclusion of these cases to come in a timely manner so that the states can manage and administer these programs efficiently?

Answer: Yes, we anticipate a steady pace of case resolution. However, the amounts recovered are subject to litigation risks. Furthermore, some of these cases may result in orders requiring that the overcharge funds recovered be given directly to identified victims of the overcharges.

Question: How much do you expect to recover from these cases?

Answer: Approximately $4 billion, including $1.43 billion in the Stripper Well escrow.

Question: How does your proposal to substitute oil overcharge refunds for federal funding reconcile with the intent of the Warner Amendment of 1982 to supplement, not supplant federal or state funding?

Answer: Section 155 (the Warner Amendment) of the Further Continuing Appropriations Act, Fiscal Year 1983, Public Law 96-377, provides in pertinent part: "(c) . . . . Funds disbursed under this section shall be used to supplement, and not supplant, funds otherwise available for such programs under Federal or State law." The phrase "such programs" refer to the five federal programs to which use of Warner Amendment funds was limited.

Our proposal is compatible with this language. The Warner Amendment applied to $200 million of petroleum violation escrow funds which were disbursed to the States in early 1983.

The "supplement, and not supplant," language was not a restriction on the Federal Government. Rather, it applied directly to the States. Thus, the States could not substitute Warner funds for any funds otherwise available for use in the five programs thereby freeing the otherwise-available funds for non conservation uses. Moreover, the "supplement, and not supplant," language was not a requirement that either the States or the Federal Government appropriate funds for these programs.

Even without further funding for these programs in the FY 1987 Federal budget, much more funding is available for these programs in the form of oil overcharge refunds than when the Warner Amendment was enacted and implemented. When the Administration and Congress make budget decisions on these Federal programs, they should do so within the context of all available funding sources for these programs.

Question: What do you anticipate will happen to the conservation programs and the low-income energy assistance program after all of the cases have been settled and the money distributed, particularly if this money is used to supplant federal and state resources?

Answer: Primary responsibility for providing State and local conservation services belongs, most appropriately, to States and local governments. The goal of the conservation grant programs has been to enable those levels of government to develop and maintain their own programs (tailored to their own specific needs, as they define them) without Federal funds or Federal oversight. As a result of these program efforts, State and local governments are now equipped with training and experience gained over ten years of Federal support. The oil overcharge funds will provide the States, in FY 1987, with resources which we feel are more than adequate to fund their own individual programs.

With respect to the Low Income Home Energy Assistance Program (administered by HHS), $2.1 billion was appropriated in FY 1986; another $2.1 billion has been requested for FY 1987.

Question: In the Amoco overcharge case, tribal governments received a share of the refund distribution. Will tribal governments receive a share of the Exxon refund? If not, why not?

Answer: Tribal governments did not receive a share of the Exxon refund. In the Amoco case, distribution was fashioned through the Hearings and Appeals process and tribal governments, in this situation, were eligible to participate. In the Exxon case, the Court ruled that distribution should be in accord with the Warner Amendment which specified distribution to 56 States and Territorial jurisdictions. While the tribal governments did not receive a direct share of the Exxon refund, they may participate by contacting the State governments directly for any of the conservation programs named in the Warner Amendment under the program regulations.

QUESTIONS SUBMITTED BY SENATOR DENNIS DECONCINI

Automotive Gas Turbine Program

Question: A recent Washington Post article stressed that the country that first perfects the ceramic gas turbine engine could wind up dominating international auto production for some time to come. With that in mind I have just a few questions regarding your Advanced Turbine Technology Applications Program (ATTAP). The funding level for FY 86 for this program was approximately $15 million. Your request for FY 87 is $4 million. At what level was ATTAP funded in your original budget submission to OMB?

Answer: In the original budget submission to OMB the level of funding requested for a follow-on to the Automotive Gas Turbine program for ceramic component development was $5 million.

Question: If possible, would you prefer to keep two contractor teams involved in ceramics development activities?

Answer: While it is true that the involvement of two contracter teams in ceramics development activities would have a higher likelihood of success, it is also true that the single contractor team approach will support program goals while exercising budgetary constraint. The primary technical goal of the program is ceramic materials development, not the development of a specific engine design. The materials development can progress well with one contracting team. If both contractor teams increased their cost sharing, or if they decide to work cooperatively so that both could be involved in ceramic development activities at the funding level included in the budget, DOE would certainly be in agreement.

Question: Do the benefits of ceramics extend beyond the automotive industry? If so, what are the other significant applications?

Answer: Although the Ceramics Technology for Heat Engines program concentrates on the benefits to be derived from the high temperature, reduced friction, lower weight and inertia properties of ceramics, these same properties could benefit a wide variety of applications beyond the automotive industry. Some of the potential uses for structural ceramics include wear parts such as seals, bearings, valves, nozzles, liners, pads, gates, and slides; cutting tools and tips; abrasives; corrosion resistant parts such as piping and gasifier components; heat exchanger components for use in metal-melting furnaces and incinerators; non-engine missile parts such as radomes, structures, and control valves; gun barrel liners; and propulsion systems for aircraft and military missiles and vehicles.

Question: I understand that the Japanese are producing on the order of 500 cars a month that feature ceramic turbochargers. Is it possible that the Japanese, with their ambitious ceramic development efforts, could beat us to the commercial punch in the other applications you have mentioned?

Answer: The Japanese have embarked on a very aggressive ceramic technology development program. They have concentrated on production techniques, and bringing to early commercialization "simple" ceramic products such as scissors and engine wear parts. However, they are now using the experience obtained from production of non-complicated ceramic parts to manufacture more sophisticated products such as turbochargers. It should be noted that the actual introduction of these turbochargers into the commercial market has been restricted to the Japanese market. United States industry is much more conservative, and will probably require a much more extensive and tested technology base before commercial introduction of new products. It is therefore possible that the Japanese could beat us to the commercial punch in some of the applications mentioned. Which methodology will result in the greatest success in the long run is not certain.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

Schools and Hospitals Conservation Grants Program

Question: According to Arkansas State Energy Office staff, you recently removed the authority to approve schools and hospitals grant applications from the regional office and placed it in the US - DOE office in Washington. Please explain the reasons for this change in policy. How will this change affect the processing of Arkansas' grant applications in terms of timing and amount of funds available?

Answer: The DOE regional offices have been delegated the authority and are empowered to review and approve grant applications for the Schools and Hospital Program. Successful applicants from Arkansas have received the full amount available under the formula distribution to Arkansas.

Energy Conservation As a Resource

Question: In response to written questions from the Energy and Natural Resources Committee, Secretary Herrington stated: "Energy conservation has proven to be the most expeditious way to reduce our need for new or imported energy resources; and in fact it now contributes more to balancing our national energy ledger than does any single fuel source." Please provide the data upon which the latter statement is based.

Answer: If pre-1973 trends in energy use had continued, DOE calculates that Americans would have consumed about 29 quadrillion Btu's (quads) more of primary energy than they actually did in 1984. This compares with approximately 21 quads supplied that year by domestic petroleum, 20 quads of U.S. coal produced, and 18 quads of domestic natural gas.

Conservation has come chiefly from increased efficiency in the use of energy and from a shift in the Nation's mix of goods and services towards less energy intensiveness. The energy productivity of the U.S. economy (gross national product in constant dollars per unit of energy use) has increased 28 percent during the decade from 1974 to 1984; and it rose 14 percent in the last 4 years of that period alone.

National Appropriate Technology Assistance Service

Question: The budget request contains $0.75 million for the National Appropriate Technology Assistance Service (NATAS), fifty percent of last year's appropriation. A recent evaluation by Northwestern University found that NATAS is very cost effective; for each federal dollar spent in providing the service, the user received approximately $5.93 in direct benefits. It also found heavy reliance on NATAS by all state energy offices. Do you concur in the Northwestern evaluation? What services will be discontinued by NATAS under the reduced budget requested by DOE?

Answer: While the final evaluation from Northwestern University has not yet been submitted, the preliminary report indicates that NATAS has been cost effective. There is significant reliance on NATAS by some, but hardly all, state energy offices. It is not anticipated that any services will be discontinued by NATAS under the reduced funding requested by DOE. However, NATAS is developing fact sheets to be used in response to some of the questions most frequently asked. This will reduce the number of staffhours needed to respond to many requests. NATAS also plans to curtail some of its promotional efforts at workshops and conferences, thus eliminating some travel costs. NATAS will be able to maintain its information services even with a somewhat reduced budget.

SUBCOMMITTEE RECESS

Senator McClure. The subcommittee will stand in recess until 2 p.m., Tuesday, April 15, 1986, when we will review the fiscal year 1987 request for the National Endowment for the Arts and the Institute of Museum Services.

[Whereupon at 3:05 p.m., Tuesday, April 8, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, April 15.]

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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

THURSDAY, APRIL 17, 1986

U.S. Senate,
Subcommittee of the Committee on Appropriations,
Washington, DC.

The subcommittee met at 2:05 p.m., in room SD–192, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure, Johnston, DeConcini, Burdick, and Bumpers.

DEPARTMENT OF THE INTERIOR

Fish and Wildlife Service

STATEMENT OF WILLIAM P. HORN, ASSISTANT SECRETARY

ACCOMPANIED BY:

- **F. EUGENE HESTER, DEPUTY DIRECTOR**
- **RONALD E. LAMBERTSON, EXECUTIVE ASSISTANT TO THE DEPUTY DIRECTOR**
- **HAROLD J. O'CONNOR, ASSOCIATE DIRECTOR, HABITAT RESOURCES**
- **WALTER O. STIEGLITZ, ACTING ASSOCIATE DIRECTOR, WILDLIFE RESOURCES**
- **JOSEPH H. KUTKUHN, ASSOCIATE DIRECTOR, FISHERY RESOURCES**
- **ROLF L. WALLENSTROM, ASSOCIATE DIRECTOR, FEDERAL ASSISTANACE**
- **RICHARD H. SMITH, ASSOCIATE DIRECTOR, RESEARCH AND DEVELOPMENT**
- **EDWARD L. DAVIS, ASSISTANT DIRECTOR, ADMINISTRATION**
- **EDWIN A. VERBURG, ASSISTANT DIRECTOR, PLANNING AND BUDGET**
- **ANTHONY L. ITTEILAG, DIRECTOR OF BUDGET, DEPARTMENT OF THE INTERIOR**
- **JOSEPH R. BLUM, DEPUTY REGIONAL DIRECTOR, PORTLAND, OR**
- **MICHAEL J. SPEAR, REGIONAL DIRECTOR, ALBUQUERQUE, NM**
- **HARVEY K. NELSON, REGIONAL DIRECTOR, TWIN CITIES, MN**
- **JAMES W. PULLIAM, REGIONAL DIRECTOR, ATLANTA, GA**
- **HOWARD H. LARSEN, REGIONAL DIRECTOR, NEWTON CORNER, MA**
- **GALEN L. BUTERBAUGH, REGIONAL DIRECTOR, DENVER, CO**
- **ROBERT E. GILMORE, REGIONAL DIRECTOR, ANCHORAGE, AK**

Senator McCLURE. Good afternoon. This is the time scheduled to review the 1987 budget estimate for the Fish and Wildlife Service.

The Service's budget request for the "Resource management" account is for $285.1 million, a decrease of $14.3 million from 1986 enacted but a decrease of only $1.2 million from the 1986 funding level after being adjusted for the Deficit Control Act [DCA].

The "Construction" account is proposed at a level of $3.1 million, a reduction of $17.7 million from the 1986 DCA level of $20.3 million. Only dam safety and advance planning projects will be funded at this level.

The "Land acquisition" account is budgeted at a level of $1.5 million, a reduction of $37.2 million from the 1986 DCA level of $38.7 million. No new projects are budgeted at this level, and the $1.5 million requested will be used solely for administration expenses.

No advances are requested for projects funded through the "Migratory bird conservation" account, although $16.5 million is available from duck stamp receipts and other sources and will be used to acquire, in fee or easement, 24,800 acres of waterfowl habitat.

The Sport Fish Restoration Program, boosted by the Wallop-Breaux Amendments of 1984, will dispense $161.5 million to the States in 1987, up $39.3 million over 1986 levels. This good news is somewhat offset by an estimated reduction in the Federal Aid in Wildlife Program of $19.3 million, down from a 1986 level of $112.3 million in 1986 to $93 million in 1987, due to an anticipated decrease in excise tax receipts.

These two permanent accounts are targeted for a 50-percent reduction in personnel, from 100 FTE in 1986 to 48 FTE in 1987.

Assistant Secretary Bill Horn will testify today as the lead witness for the Service, accompanied by Acting Director Mr. Eugene Hester.

PREPARED STATEMENT

I would like to welcome both of you to the hearing today and ask that you introduce your colleagues for us. We will insert your full statements into the record at this point.

I would also like to welcome the Service's regional directors to today's hearing. I would appreciate it if each regional director would introduce themselves and tell us where they live, what portions of the country they manage, and what their approximate budget and staffing totals are.

[The statement follows:]

STATEMENT OF WILLIAM P. HORN

Mr. Chairman, I appreciate this opportunity to appear here today to describe the Administration's FY 1987 proposed budget for the U.S. Fish and Wildlife Service (Service). The budget which has been proposed totals $581 million and represents a carefully coordinated program to fund Service activities related to development, management and conservation of the Nation's fish and wildlife resources, while recognizing the need to meet the 1987 deficit reduction targets established by the Gramm-Rudman-Hollings Balanced Budget and Emergency Deficit Control Act (P.L. 99-177).

Prior to discussing the FY 1987 budget request, I would like to note several areas of accomplishment during FY 1985 as well as describe several of our current program activities. The Service's four main program areas are Wildlife Resources, Fishery Resources, Habitat Resources and Federal Assistance. Research and administrative activities conducted by the Service support each of these areas.

Numerous Service activities have been undertaken related to Wildlife Resources. In FY 1985, land acquisitions to augment our National Wildlife Refuge System (NWRS) were initiated on eight new refuges and were expanded on 54 units of the system. Acquisition was achieved via fee purchase, easements, exchange, lease, or management agreements.

The Service has placed considerable emphasis on resource and contaminant problems on refuges during the past few years. A 1983 survey identified 65 types of resource problems, including water resources and public use impacts on 373 refuges. Comprehensive plans to resolve resource problems were prepared by each refuge during FY 1985, and specific resource management and construction projects were undertaken to eliminate or mitigate some of the problems. The Service's comprehensive national survey to update contaminant issues affecting refuges was initiated in May 1985 and completed during January of this year. The survey has identified contaminant problems on ten of the nation's 431 wildlife refuges and indicated 74 refuges where in-depth study is required because of suspected or potential contaminant problems. Prior to initiation of the survey, corrective actions had been undertaken at Crab Orchard, Wheeler, and Kesterson NWR's. Action plans outlining future response strategies will be prepared during this year for each contaminant issue of concern, and priorities will be established for followup actions. The Service will also continue its participation in the Department of the Interior's Task Force on Irrigation Drainage, which I co-chair with the Assistant Secretary for Water and Science. The Department intends to compile and develop priorities for target areas where irrigation drainage could potentially affect fish and wildlife or human health, and to develop a process for field screening of these areas.

Contaminant studies have also been conducted as part of our Habitat Resources efforts, for "hot spot" areas off Service lands. Studies have been conducted in areas where known contaminant problems exist, including the Lower Colorado and Gila Rivers, the Central Valley of California, and the Great Lakes. Information from these special studies will assist Service personnel in working with appropriate Federal and State entities to develop best management plans and other types of remedial actions to address these problems.

With respect to migratory waterfowl, harvest restrictions for black ducks in the Atlantic and Mississippi Flyways, and three species of geese nesting in Alaska, were implemented in a concerted effort to restore populations that have been seriously reduced. In addition, more restrictive regulations were applied nationally to reduce the harvest of woodcock and certain species of waterfowl, such as mallards and pintails, due to severe population declines. Cooperative work is continuing this year with the States, Canada and Mexico to implement species and population management plans for selected migratory birds.

Our fishery program has been active in a number of areas. The Service recently played a key role in negotiations relative to settlement of U.S. v. Michigan, a case regarding Indian treaty fishing rights on the Great Lakes. The negotiated agreement, signed by the State of Michigan, the Department of the Interior, the three concerned Indian tribes, and representatives of sport and commercial user groups, provides the framework for future cooperative allocation and management of fish resources in treaty-ceded waters of Lakes Superior, Michigan, and Huron. In particular, the agreement provides increased protection for the lake trout resource, the focus of a high priority restoration initiative. The Service was also actively involved in negotiating an agreement between State and Federal resource agencies, Indian tribes, and representatives of major resource user groups concerning allocation and management of the salmon and steelhead resources of the Klamath River Basin. This agreement, resolving a long standing and very controversial issue, represents a major action toward restoring and protecting these valuable anadromous fish resources. Since the signing of the Pacific Salmon Treaty by the United States and Canada in January, 1985, the Service has been involved in implementing its provisions related to fishery interception issues for anadromous species in the Northwest. The Service, in close cooperation with the State of Alaska, is also conducting scientific investigations to support continuing treaty negotiations on the allocation of salmon runs in the Yukon River.

During FY 1985, the Secretary of the Interior approved and the Service published a Statement of Responsibilities and Role for the Fishery Resources Program which identifies four major responsibilities that will be the focus of the program. This statement, which culminated a two-year effort, identifies the following responsibilities: (1) to facilitate restoration of depleted nationally significant fishery resources; (2) to seek and provide for mitigation of fishery resource impairment due to Federal water-related development; (3) to assist with management of fishery resources on Federal (primarily Service) and Indian lands; and (4) to maintain a Federal leadership role in scientifically based management of national fishery resources.

Our Habitat Resources efforts seek to ensure that fish and wildlife resources, and associated habitat, are accorded equal consideration with other aspects of land and water development activities. We have recently completed a re-negotiation of the Memorandum of Agreement (MOA) with the Corps of Engineers established pursuant to Section 404(q) of the Clean Water Act.

The MOA provided a mechanism for the Service to comment on the impacts to fish and wildlife resources of wetlands dredge and fill permits. The revised agreement sanctions field level negotiations regarding agency differences on permits, thereby enhancing the opportunity for successful conflict resolution without a formal request to Washington to elevate a permit decision for review. Another important provision of the new MOA allows for natural resource values to be considered for permit decisions that are elevated. These, and other changes to the MOA, will encourage cooperative efforts between the Service and the Corps regarding permit actions. Other activities related to wetlands included our National Wetlands Inventory (NWI) efforts which, during FY 1985, produced wetlands maps for 154,000 square miles in the lower 48 states and 10,000 square miles in Alaska.

During 1985, the Service intensified its Predevelopment Consultation (PDC) efforts. The purpose of PDC is to work with Federal and private developers to make them aware of fish and wildlife needs during the early planning stages of a project. An example of PDC is the effort recently initiated out of our Cortland, New York Field Office, to identify and work with developers on a watershed-by-watershed basis to assist them in avoiding development in sensitive resource areas. We believe that this approach gives great promise, particularly in assisting determinations of cumulative impacts of development within a watershed.

Our Federal Assistance activities include our Federal Aid and Endangered

Species Programs. In FY 1986, the provisions of the expanded Federal Aid in Fish Restoration Program became effective. The Dingell-Johnson program, as expanded by the Wallop-Breaux amendments, provided grants to the states for the management and enhancement of sport fish resources. Additional sources of funding for this program have developed from a newly created Aquatic Resources Trust Fund and have expanded the program from $38 million in FY 1985 to $122 million in FY 1986. Revisions to this program by the Wallop-Breaux amendments have placed greater emphasis on the use of funds for public fishing access to accommodate motor boats, and require coastal states to allocate funds among fresh water and saltwater sport fishery resources.

The Endangered Species Program has continued its listing, recovery, and species monitoring activities. A total of 56 more native animals and plants, and one foreign animal, were added to the U.S. List of Endangered and Threatened Wildlife and Plants during FY 1985. The number of approved recovery plans for listed species increased by 26 to a total of 185 during this same period, while one more Cooperative State Agreement was negotiated for fish and wildlife, and four more for plants, totalling 44 and 22, respectively. The American alligator in Florida was reclassified from "Threatened" to "Threatened by Similarity of Appearance," reflecting improvements in its status in that state. Four species were delisted because of their recovery, including the brown pelican in Alabama, and Florida, and on the Atlantic Coast, and three birds on Palau in the Pacific Trust Territories. To date, there are now 885 listed species (389 native), consisting of 765 "Endangered" (307 native), and 120 "Threatened" (82 native).

Research by the Service supports each of the program areas I have described. In addition to those already noted, efforts have been made to develop a reliable data base for determining the extent of lead shot problems on 58 NWR's. Progress has also been made in combining our cooperative fish and wildlife research units. To date, units have been combined in all but seven states. We expect completion of combined units in two of these seven states in FY 1986.

I would now like to describe the President's proposed budget for FY 1987 for the Service. The FY 1987 budget proposal, I believe, is equally sensitive to our resource responsibilities and to the achievement of the 1987 deficit reduction targets established by P.L. 99-177. As a result of P.L. 99-177, all Fish and Wildlife Service programs in FY 1986 will be reduced by 4.3 percent. The sequestration, that was effective on March 1, permanently canceled $16.4 million of FY 1986 budget authority and deferred $11.5 million in FY 1986 spending authority associated with permanent and trust funds and $192,000 in obligational authority from offsetting collections. The overall impact of the sequestration will not close any Service facilities nor necessitate furloughs or reductions in force of permanent employees.

The FY 1987 budget request for the Service totals $581.4 million. Although this level represents a decrease of $70.4 million from the FY 1986 appropriation of $651.8 million, we have been able to continue operating major resource programs, at or near their current levels, and to propose program increases for high priority activities. The budget achieves the overall reduction ($70.4 million) by eliminating or deferring lower priority activities, and by focusing construction and land acquisition on only safety issues and the most critical resource threats. I would like to point out that this proposal does not reflect any antipathy toward land acquisition; rather it is a realistic budget directed towards meeting the highest immediate priorities within the framework of the Gramm-Rudman-Hollings reduction targets.

The request for Resource Management, the Service's principal operating account, is $285.1 million, which is $14 million below the FY 1986 appropriation level. Within the total funding level are proposed new or expanded initiatives, such as studies of the effect of contaminants on fish and wildlife resources, restoration of declining waterfowl populations through enhanced waterfowl management and research, and operational activities for new and recently expanded wildlife refuges.

The Service will continue to be actively involved in monitoring the build-up and evaluating the effects of environmental contaminants on fish and wildlife resources and their habitats resulting from agricultural and industrial development. The Service will increase efforts on contaminants by $2.5 million in 1987. The budget requests increases totaling $2.2 million in FY 1987 to continue research and monitoring in this important area. Site specific efforts will address contaminants affecting a number of major geographic areas including the Central Valley area of California, Upper Mississippi River area, Great Lakes, and Alaska tundra habitats. Several studies are proposed that will evaluate the effects of point and non-point sources of pollution on fish and wildlife resources and habitats. Also included in this proposal is a request of $900,000 for scientific equipment to analyze contaminant samples and to enhance computer data storage capacity at the Patuxent Wildlife Research Center and the Columbia National Fisheries Research Laboratory. The Service will redirect $310 thousand of the existing resource problems funding from lower priority areas to address contaminant concerns on refuges.

The lowest waterfowl breeding populations that have ever been recorded in 31 years of conducting surveys occurred in 1985. The estimated 1985 fall flight was 22 percent lower than that for the previous year. As mentioned previously, the Service restricted the level of waterfowl harvest in 1985 due to this decline; the 1987 budget requests an additional $5.1 million in the wildlife resources program to help restore waterfowl population levels. This would be accomplished through methods to increase waterfowl production and research studies to determine non-hunting mortality factors which can be further minimized by habitat management practices.

To meet important needs on national wildlife refuges, last year Congress provided an additional $2.7 million for operations and maintenance and for refuges recently added to the system. This funding is being utilized to sustain non-discretionary activities and to meet the requirements of our Youth Conservation Corps program. During FY 1986, we have been able to provide operations costs on some new refuges by temporarily realigning funds from existing stations. Our FY 1987 increase of $1.6 million establishes a permanent operational base for 24 new stations and allows for the restoration of base operational funding to other units. An additional $730,000 will support such activities as management, fencing or posting, habitat management, and general operational activities on existing refuges. These increases are offset in part by requested decreases of $838,000 for several short term activities including preparation of educational materials concerning Arctic nesting geese, rehabilitation of visitor facilities, and quantification of refuge water rights.

The Accelerated Refuge Maintenance Management (ARMM) program was initiated in 1984 to address serious maintenance needs on national wildlife refuges. Resource management appropriations totalling $49.6 million and the additional $12 million provided through the two year Jobs Bill program have allowed us to achieve substantial progress toward rehabilitating National Wildlife Refuge facilities. Because of this accelerated progress the Service is requesting $8.8 million, a decrease of $9.5 million, for additional high priority maintenance activities.

The 1987 budget includes a number of initiatives that address our highest priorities related to the Nation's fishery resources. An increase of $809,000 is proposed to continue mitigation efforts under the Lower Snake River Compensation Plan whose purpose is to restore steelhead and salmon stocks affected adversely by water development projects. Other increases will support Service efforts to provide more comprehensive assessment data on fish stocks that are the focus of a Court ordered settlement of a fishing rights dispute in treaty-ceded waters of the Upper Great Lakes, and to initiate a comprehensive review of mitigation requirements related to fish stocking as a basis for recovering fish-production costs from project beneficiaries.

The funding added in 1986 to implement provisions of the U.S./Canada Pacific Salmon Treaty is continued in this budget. In addition, the Resource Management funding support for Atlantic salmon and striped bass restoration will remain constant.

To continue efforts initiated in 1983 to evaluate all national fish hatcheries and to retain only those that fulfill Federal responsibilities, the Service is proposing to close or transfer to State operation six hatcheries and one field station. With this action, all Federal stocking of private waters will be terminated; in addition, display aquariums at six hatcheries will be closed. Total cost savings will be approximately $1.1 million.

Funding for endangered species will total $23.2 million in FY 1987 compared to $29 million in FY 1986. The largest single reduction of $4.2 million below the FY 1986 estimate results from termination of the state grant program. Endangered species recovery actions will be continued for the highest priority species. A reduction of $754,000 in Federal recovery actions for some species is proposed since certain projects will be completed in FY 1986 and others are now adequately funded through private and state sources. The budget proposes that the forensic laboratory, to be established with $1 million in FY 1986, will be operated in FY 1987 using receipts collected from port inspection fees.

As a general thrust throughout our budget, no funds are requested for most of the State grant programs administered by the Service, with the exception of the Pittman-Robertson and Dingell-Johnson (or Wallop-Breaux) programs. These programs include the Endangered Species grants, the subsistence grants to the State of Alaska, and the Anadromous Fish Conservation Act grant program. We believe that it is appropriate during this period of fiscal austerity, to discontinue Federal funding in these particular areas especially because the States can make contributions and support the projects on their own.

No funds are requested in FY 1987 for new land acquisition from the Land and Water Conservation Fund or the Migratory Bird Conservation account. I mentioned previously, and would like to reiterate now, that this limited request is not the result of any antipathy toward land acquisition. The Department would have liked to have been able to allocate funds for land acquisition; however given the need to meet the Gramm-Rudman-Hollings deficit reduction targets and maintain a reasonable level of operation of Service facilities, it was not possible to commit funds to this purpose.

However, $1.5 million is requested from the Land and Water Conservation Fund to administer on-going acquisition management activities. The Service's basic policy for land acquisition is to acquire title only when other means cannot be used to achieve protection goals. In 1987, we will actively pursue cooperative agreements, exchanges, donations and other non-acquisition alternatives as techniques to reduce Federal expenditures while protecting fish and wildlife and their habitat.

An Interior Inter-Bureau Task Force has been established to expedite exchanges. Two approaches have been taken to expedite the exchange process. The "Track A" approach addresses exchanges that involve large acreage and high value and which may or may not require special authorizing legislation. Secretarial level consideration is required. Other significant exchanges are identified as "Track B." These include exchanges of lower value and/or smaller size and do not require legislation, but nevertheless will be coordinated by the Washington Offices of the bureaus involved.

An additional $16.5 million from the sale of duck stamps is estimated to be available for land acquisition in FY 1987, based on the proposed increase in the price of the duck stamp from $7.50 to $10.00. The $16.5

million will be used to acquire an estimated 24,800 acres of wetlands. During the past five years, considerable resources have been made available to the Service for land acquisition. For example, between 1981 and 1985, $108.5 million has been obligated from the Migratory Bird Conservation account to acquire more than 235,000 acres of important migratory bird habitat. During the same period, $165.5 million from the Land and Water Conservation Fund has been used to acquire 160,694 acres of other valuable refuge lands. In addition, during this period, donations of lands totalled 137,306 acres and approximately 1 million acres was added to the refuge system based on land exchanges. In FY 1986, $28 million in new Migratory Bird Conservation funds and $33.8 million from the LWCF are available to continue these acquisitions.

The FY 1987 budget proposes $5.6 million in appropriations for refuge revenue sharing payments to counties under the National Wildlife Refuge Fund, compared to $5.4 million in the FY 1986 estimate. Appropriated funds will be supplemented with prior year receipts (approximately $4.6 million) from the sale of timber, grazing privileges, oil, gas, minerals and from current user fees.

Both the Dingell-Johnson program of sport fish restoration grants and the Pittman-Robertson program of wildlife restoration will be fully funded in FY 1987. Payments under Dingell-Johnson are expected to increase by about $39.3 million to $161.5 million (a level which represents more than four times the 1985 amount), although estimated payments under Pittman-Robertson are expected to decline in FY 1987 by about $25.8 million to $95 million. This decline is due to delays in reporting receipts and a one-time adjustment made by the Internal Revenue Service in 1986 that caused amounts available in 1986 to be higher than previously estimated. The FY 1987 estimate represents a return to a more typical level of expenditures. For both Dingell-Johnson and Pittman-Robertson, the states will receive a larger share of total funding since about $11.8 million in funds previously used for Federal administration of both programs are being allocated to enhance state grants. Before I close my remarks, I would like to again bring attention to the fact that 1986 marks the 50th Anniversary of the Pittman-Robertson program.

In addition, I would like to point out that we support the proposal included in the Emergency Wetlands legislation that would provide entrance fees at designated units of the National Wildlife Refuge System. Receipts from the proposed fees would be allocated as follows: 40 percent paid into the Migratory Bird Conservation Fund, 40 percent available for refuge operation and maintenance expenses, and 20 percent deposited into the general fund of the U.S. Treasury. If enacted, the fee proposal will expand the protection of unique wetland areas through land acquisition and address operational needs of the refuge system without increasing the burden on the general taxpayer.

Mr. Chairman, this concludes my prepared testimony. I would be pleased to answer any questions you may have.

Biography of William P. Horn

William P. Horn has served as Assistant Secretary for Fish and Wildlife and Parks within the Department of the Interior since July, 1985. Prior to assuming that position, he served as Deputy Under Secretary at Interior. His primary responsibilities in that position were coordinating and directing the Department's Alaska-related programs, serving as Chief Coordinator of Negotiations for the Indian Water Claims Task Force, and sitting as a U.S. Commissioner of the international Great Lakes Fisheries Commission (a position he still holds).

Before coming to Interior in 1981, Mr. Horn was minority staff consultant to the House Interior and Insular Affairs Committee and prior to that, a special assistant to the Assistant Secretary of the Interior for Land and Water Resources during the years 1976-77.

Horn also worked as special assistant to the late Rogers C.B. Morton, a former Interior Secretary, when Morton was Secretary of Commerce in 1975. For 3 years prior to that he was a staff member of the House Republican Conference, advancing to the position of Acting Executive Director.

Horn is an honors graduate of the American University, Washington, D.C., where he earned a B.A. in 1972 and a J.D. Degree in 1983. He is a member of Trout Unlimited, the Ruffed Grouse Society, Ducks Unlimited, and the District of Columbia Bar. He is married, has two children, and resides in McLean, Virginia. He was born December 16, 1950, in Dover, Delaware.

Biography of Ronald E. Lambertson

Ronald E. Lambertson was appointed the Associate Director for Wildlife Resources, Fish and Wildlife Service, in October 1983. In his position, he oversees the administration of the following activities: National Wildlife Refuge System, Migratory Bird program, Law Enforcement, Realty, Public Use Management and Youth Activities. Lambertson has been appointed to serve in the temporary position of Executive Assistant to the Deputy Director from October 3, 1985 to April 30, 1986. From 1979 to 1983, he served with the Service as Associate Director - Federal Assistance.

Receiving his Juris Doctorate from the University of Colorado in 1970 and holding an undergraduate degree in Wildlife Management from Colorado State University, Lambertson began his career with the Interior Department in the Office of the Solicitor. He was appointed to the position of Assistant Solicitor in 1974, where he served as the Fish and Wildlife Service's chief legal advisor until his appointment with the Fish and Wildlife Service.

A native of Adams County, Colorado, Lambertson now lives in Silver Spring, Maryland, with his wife, Bonnie, and their two daughters.

Biography of Walter O. Stieglitz

Walter O. Stieglitz, 52, Deputy Associate Director, National Wildlife Refuge System, is a native of Illinois and received both bachelors and masters degrees in zoology/wildlife management from Southern Illinois University and served three years in the Air Force as a pilot.

A 26-year employee of the Fish and Wildlife Service, Stieglitz began his career as Assistant Refuge Manager of the Reelfoot and Lake Isom National Wildlife Refuges in Tennessee. He subsequently transferred to the same position for the South Florida Wildlife Refuge Complex and then became the Area Biologist for the States of Florida, Alabama, and Georgia. In 1973 Stieglitz was named the first Refuge Manager of the San Francisco Bay Refuge Complex.

In 1975, Stieglitz transferred to Washington, D.C., where he worked in several positions including, Chief of the Branch of Resource Management in the Division of Refuges, Chief of Refuges, Coordinator of the Bicentennial Land Heritage Program, and Chief of the Wildlife Resources Program Development Staff. He was appointed the Deputy Regional Director of the Service's Atlanta region in 1980 and remained there until 1984 when he assumed his current position.

Biography of Rolf L. Wallenstrom

Rolf L. Wallenstrom, Associate Director-Federal Assistance, U.S. Fish and Wildlife Service, 53, is from Syracuse, New York. He has a B.S. degree from New York State College of Environmental Science and Forestry at Syracuse University. He is a graduate of the Department of the Interior Manager Development Program and Harvard University's Executive Program on Environmental Policy and Management. Prior to joining the Fish and Wildlife Service, Mr. Wallenstrom worked for the Diamond Match Corporation in Superior, Montana, and Crown Central Petroleum Corporation in Baltimore, Maryland. He joined the Service with the Division of Realty in Minneapolis, Minnesota in 1959. He was senior appraiser in the wetlands program in Fergus Falls, Minnesota, from 1961 to 1964; wetlands programs supervisor in Aberdeen, South Dakota, from 1964 to 1970; attended the Departmental Manager Development Program in Washington, D.C., from 1971 to 1972; and became one of the Service's first area managers with responsibility for the States of South Dakota and Nebraska in 1972. In 1979, he was appointed Deputy Associate Director-Habitat Resources, and assumed his present duties in March 1985. Mr. Wallenstrom received the Department's second highest award, the Meritorious Service Award in 1978 for his leadership of Service programs in South Dakota and Nebraska.

Biography of Joseph R. Blum

Joseph R. Blum is Deputy Regional Director of the U. S. Fish and Wildlife Service's western region.

Blum is a graduate of the University of Santa Clara with a B.S. in Biology. He has done graduate work in zoology, conservation and geography at San Jose State College and George Washington University.

In 1965, Blum began his professional career as a Deer Research Biologist with the Alaska Department of Fish and Game. He moved into bear research on brown and polar bears, worked on lands projects and became Chief of the Habitat Developmentent Section in 1970. In 1972 he was promoted to Deputy Commissioner--Sport Fish and Game.

Blum moved to Washington, D.C. in 1973 to become Chief, Marine Mammals and Endangered Species Division of the National Marine Fisheries Service. In late 1974 he joined the Fish and Wildlife Service to manage the biological effort of the Department of Interior's oil shale and non-fossil minerals program.

In late 1976 Blum became Area Manager of Service activities in Washington and Oregon, where he served until 1982. In mid-1982, he became Assistant Regional Director for Habitat Resources for the six State (California, Hawaii, Idaho, Nevada, Oregon and Washington) Western Region.

He assumed his current position in June 1984.

Biography of Michael J. Spear

Michael J. Spear, 44, is Regional Director for the Service's Southwest Region, encompassing Texas, Oklahoma, New Mexico, and Arizona with over 600 employees and 48 field stations.

Spear, a 13-year Service employee, became the Regional Director after serving as the Associate Director - Environment, in Washington (1978 - 1982) where he managed the Service's Ecological Services, Biological Services, and Contaminants Programs.

Spear joined the Service in 1973 as it's Assistant Director - Planning and Budget.

A native San Franciscan, Spear received a B.S. from the U.S. Naval Academy, then served six years in the Navy's nuclear submarine program before receiving an M.B.A. from Stanford University.

BIOGRAPHY OF HARVEY K. NELSON

Harvey K. Nelson, 60, Regional Director of the North Central Region of the U.S. Fish and Wildlife Service in the Twin Cities, Minnesota, was born and raised in Evansville, Minnesota. Following military service during World War II, he attended the University of Minnesota and received a B.S. degree in zoology and fish and wildlife management in 1950. He received a M.S. degree in resources development from Michigan State University in 1957, and continued graduate work at George Washington University in Washington, D.C.

He joined the Fish and Wildlife Service in 1950 and worked on field projects in South Dakota, North Dakota, Minnesota, and Michigan until 1957 when he was transferred to the regional office in Minneapolis. There he served as Assistant Regional Supervisor, Division of Wildlife Refuges, until 1963 when he was appointed Director of the Northern Prairie Wildlife Research Center then being established at Jamestown, North Dakota. He held this position until 1974, when he transferred to the Washington Office of the Fish and Wildlife Service to serve as Deputy Associate Director for Wildlife. In February 1976, Mr. Nelson was promoted to the position of Associate Director for Fish and Wildlife Resources. As Associate Director, he supervised the operation of some of the Service's major programs, including national wildlife refuges and fish hatcheries, migratory bird management, wildlife law enforcement and animal damage control. In July 1979, he was appointed Regional Director of the Service's North Central Region, with headquarters in the Twin Cities, Minnesota. He is responsible for administering agency programs in Minnesota, Iowa, Missouri, Wisconsin, Illinois, Michigan, Ohio and Indiana.

He has broad experience with fish and wildlife management and research programs at both the State and Federal levels, with primary emphasis on migratory birds, land management and Great Lakes fishery activities. He has held appointments as Adjunct Professor of Zoology at North Dakota State University and the University of North Dakota. He is a member of, and has held various offices in a number of professional, fraternal, and civic organizations. He is the author or coauthor of more than 50 technical publications.

Mr. Nelson received the Department of the Interior's Meritorious Service Award in 1980 for his leadership of Service programs.

BIOGRAPHY OF JAMES W. PULLIAM, JR.

James W. Pulliam, Jr., 49, Regional Director for the Southeast Region of the U.S. Fish and Wildlife Service in Atlanta, Georgia, was born and raised in Henderson, North Carolina. He received a B.S. degree in Wildlife Conservation and Management at North Carolina State University in 1958.

Pulliam began his Federal career in 1958 as an assistant refuge manager at the Mingo National Wildlife Refuge, Missouri. He held other posts at Mark Twain refuge in Iowa, field offices in South Dakota, and the Lacassine refuge in Louisiana. In 1966 Pulliam transferred to the Washington Office, Division of Wildlife Refuges. From 1970 to 1972 he was assistant regional supervisor, Division of Wildlife Refuges, in Albuquerque, New Mexico. Pulliam then returned to the Washington Office to assume the duties of assistant chief, Division of Wildlife Refuges. He became acting chief of the division in 1973 and was appointed chief of the division in 1974. In 1975 he became Acting Deputy Associate Director--Wildlife Resources, assuming the job on a permanent basis in 1976. He remained there until 1979 when he was appointed as Deputy

Associate Director--National Wildlife Refuge System, with responsibilities for the Divisions of Refuge Management, Realty, and Youth Activities.

In September 1981, Pulliam was named Acting Regional Director of the Service's North Central Region in Twin Cities, Minnesota. In February 1982, Pulliam was detailed to Atlanta, Georgia, as Regional Director of the Service's Southeast Region. His assignment to this position became permanent on May 30, 1982.

Pulliam received the Department of the Interior's Meritorious Service Award in 1979.

Biography of Howard N. Larsen

Howard N. Larsen, 58, Regional Director, Region 5, of the Fish and Wildlife Service, Newton Corner, Massachusetts, was born and raised in Waukegan, Illinois. He graduated from Northwestern University with a B.S. degree, majoring in biology. He also attended graduate school at Auburn University and George Washington University.

Larsen entered into his Federal career in 1958 at Lake Mills National Fish Hatchery, Wisconsin. He then had tours of duty at Manchester, Iowa; New London, Minnesota; Leetown, West Virginia; Marion, Alabama; and LaCrosse, Wisconsin before being assigned to Washington, D.C. in 1966 as Chief of Production in the Branch of Fish Hatcheries and became the Chief in 1972. In 1974, he was promoted to Deputy Associate Director, Fish and Wildlife, and became Regional Director of Region 5 in 1975.

In 1959, Larsen attended the in-Service Fish Disease Training School; in 1960 he attended the Warm Water Fish Cultural School, and in 1965, the Departmental Management Training Program. His early career was spent as a specialist in fish diseases and solving fish habitat problems.

As Regional Director in the Northeast, some of Larsen's major involvements have been restoration of Atlantic salmon, restoration of bald eagles, resolution of conflict in public use of Refuges, and development of sound Federal-State working relationships.

Biography of Galen L. Buterbaugh

Galen L. Buterbaugh, 51, Regional Director of the Rocky Mountains-Great Plains Region was born and raised in Walnut Grove, Minnesota. He received a B.S. degree in Fishery and Wildlife Management at the University of Minnesota and also completed graduate level courses at Auburn University and George Washington University.

Buterbaugh began his career with the Fish and Wildlife Service in 1960. He has had field experience at six National Fish Hatcheries as well as positions as Assistant Regional Director, Division of Fish Hatcheries, Portland, Oregon; Chief of Branch of Fish Culture, Division of Fish Hatcheries, Washington, DC; Chief, Division of Fishery Services, Minneapolis, Minnesota; Associate Regional Director, Minneapolis, Minnesota; Deputy Associate Director, Fishery Resources, Washington, DC; and Associate Director, Fishery Resources, Washington, DC. Since June 1982, Buterbaugh has served as Regional Director in the Denver Region.

Major Regional issues include protection of the threatened grizzly bear and endangered black-footed ferret and management of Federal refuges particularly in the Prairie Pothole Region of the Dakotas.

Buterbaugh received the Department of the Interior's Meritorious Service Award in 1979.

BIOGRAPHY OF ROBERT E. GILMORE

Robert E. Gilmore, 51, Regional Director for the Fish and Wildlife Service's Alaska Region, was born in West Palm Beach, Florida, and was raised in Fairhope, Alabama. He received a B.S. degree in wildlife management at Auburn University and also attended George Washington University, completing courses leading to an M.S. degree in public administration.

Gilmore began his wildlife management career in 1954 as a research assistant at Auburn University's cooperative wildlife research unit in Alabama. Before joining the U.S. Fish and Wildlife Service in 1966, Gilmore held wildlife management positions with the North Carolina Wildlife Resources Commission, the U.S. Army, and U.S. Steel Corporation.

He served as assistant refuge manager at Chassahowitzka and White River National Wildlife Refuges and as refuge manager at Back Bay National Wildlife Refuge. He held positions at a number of other field stations and in the Service's Portland, Oregon, regional office before coming to Washington, D.C. Gilmore served in several capacities including the Deputy Associate Director for the National Wildlife Refuge System before being named Associate Director for Federal Assistance in 1983. His appointment as Alaska Regional Director was announced in February 1985.

OPENING REMARKS

Senator JOHNSTON [presiding]. The committee will come to order.

In the absence of the chairman, Senator McClure, I thought we would get started so we would not waste your time and so I can go on to my next committee.

I am sure the chairman will have an opening statement, but I had a couple of questions for Secretary Horn.

ATCHAFALAYA ACQUISITION

Mr. Secretary, in the 1984 supplemental appropriations bill Congress appropriated $10 million for acquisition of lands necessary to establish the Atchafalaya National Wildlife Refuge.

During committee hearings on this matter Secretary Bill Clark indicated that this was intended to be a national wildlife refuge. Therefore, the Federal Government should be willing to match State funding up to $20 million.

To date, Louisiana has spent $14,141,302 to acquire 11,779 acres within the flood plain. Iberville Land Corp., the entity that owns the land to be acquired by the Federal Government, recently agreed to sell the Federal Government 15,225 acres at an average price of $725 per acre, or a total of $11,065,618.

Does the Service support this acquisition?

Mr. HORN. We have been in active negotiations with Iberville Land Corp., and their representatives. We are presently examining options to see if additional funding can be made available to take advantage of the unique situation and purchase of this entire block of land.

A reprogramming is being seriously examined to take advantage of the situation. I would expect to have a proposal of some sort up to the committee in the near future.

Senator **Johnston**. You would expect that the reprogramming can come about. You support that, and you hope that—I know about your Puerto Rican situation, but if the funds are available to reprogram, will you reprogram?

ATCHAFALAYA REPROGRAMMING

Mr. **Horn**. This is something we are presently looking at very seriously. Hopefully, we will be able to take positive action soon. We can't make a commitment at this time.

Senator **Johnston**. But that is what you want to do without making a commitment; is that fair to say?

Mr. **Horn**. We would like to take advantage of this situation to pick up that whole block of land.

Senator **Johnston**. All right, and you are aware of that situation with Iberville Land Co.?

Mr. **Horn**. Yes, sir; I have met a number of times with Mr. Trowbridge and the representatives of that corporation.

Senator **Johnston**. Are there any potential funding sources currently available to fund the acquisition?

Mr. **Hester**. There may be some potential funds. We are examining now whether there will be enough funds and whether we can reprogram.

Senator **Johnston**. OK. The President proposed many rescissions in his fiscal year 1987 budget request.

Is the Atchafalaya acquisition a higher priority than any of those other rescissions; for example, the Tortuguero rescission?

Mr. **Stieglitz**. In my opinion, Mr. Chairman, if the Tortuguero land acquisition project is successfully resolved through assurances from the commonwealth that they can adequately protect the resources that are located at Tortuguero, this could potentially free up those funds for acquisition. In this case, I would say Atchafalaya would compete very favorably on a priority basis.

Senator **Johnston**. I would hope so.

As you know, the sellers originally offered to sell the Government a smaller tract for $950 an acre. However, given the tax benefits that are available to the company if they sell the entire holding, the company agreed to sell at the lower price of $725 per acre.

It is likely that any major tax reform bill that emerges from the Congress will limit or eliminate the tax benefits in question. Given this situation, do you agree that this deal must be closed as soon as possible?

Mr. **Horn**. Mr. Chairman, that is exactly the reason that I made reference to the unique situation. We have been made aware by Iberville of those circumstances. I think that is the reason we are trying to move expeditiously to get this resolved because of this unique opportunity that now exists.

Senator **Johnston**. Mr. Chairman, there was a mutiny in your absence. Since you were not here, we voted to elect a chairman, and I was elected.

Senator McClure [presiding]. We are going to burn the ship in the harbor. [Laughter.]

Senator Johnston. I just had a couple of questions here.

Senator McClure. I thank you for going ahead. Thanks very much.

ATCHAFALAYA PURCHASE OPTION

Senator Johnston. Given the tax consequences associated with the sale, I understand that the seller's offer will soon expire.

Do you know the deadline for acceptance of the offer?

Mr. Stieglitz. Mr. Chairman, it is a 90-day offer that expires next month. I don't remember the exact date.

As Mr. Horn indicated, we intend to move as expeditiously as possible and hopefully resolve the problem before the offer does expire.

NATCHITOCHES FISH HATCHERY

Senator Johnston. Well, I like what I am hearing out there. I know I have gotten a good faith commitment from you, Secretary Horn, to complete the acquisition by June 1, 1986, and I know of your skill, ability, and heart being in the right place. So I know this is going to happen, I trust.

Now, the Natchitoches fish hatchery is very, very important to us. It does not involve a lot of money.

My wife is from Natchitoches, and all of her kinfolks are still down there. [Laughter.]

Mr. Horn. I know.

Senator Johnston. I think some of them must work in that fish hatchery or something, but the budget——

Senator McClure. I knew there was something fishy about it. [Laughter.]

Senator Johnston. Something fishy about it.

The budget for the hatchery is only $200,000 a year, of which approximately $155,000 is for salaries. I understand that under Federal procedures all the individuals will be offered a transfer. The cost of transferring these people would probably exceed the alleged budget savings.

Therefore, would you agree with me that it is probably a gigantic mistake to close the Natchitoches fish hatchery?

Mr. Horn. Mr. Chairman, the budget proposal attempts to deal with the Natchitoches hatchery and a number of others in the Southeast largely as a result of the new fisheries roles and responsibility statement that the Department adopted last year. The roles and responsibility statement was the result of a fairly extensive effort to more sharply focus and define the appropriate fisheries role for the U.S. Fish and Wildlife Service.

We have come to the conclusion that we have been operating a number of hatcheries which are providing fish for essentially non-Federal purposes. Our roles and responsibility statement indicates that we should focus our efforts on restoring nationally significant species, dealing in the endangered species field, and fulfilling international and other treaty obligations as opposed to producing fish for recreational purposes.

We have been working with a number of States to secure the transfer of those hatcheries that essentially produce fish for State and local use, or to reprogram those hatcheries so that production activities can be aimed toward one of the more appropriate Federal roles.

As I indicated, the budget proposes that six hatcheries in the Southeast, presently producing warm water species for essentially farm pond stocking programs, close or transfer to the States. We have had conversations with most of the affected States to see if we can effect a mutually acceptable solution.

The hatchery in Louisiana is unique because we do have a good, mutual relationship with the State of Louisiana. They do work at some of their hatcheries in producing anadromous fish, and in turn, we produce some fish for their benefit. It has been a mutual arrangement.

We would hope, that because of that good relationship, we can move forward to change production at the Natchitoches hatchery so it fits with our roles and responsibility statement.

NATCHITOCHES PRODUCTION

Senator JOHNSTON. Well, that was going to be my next question. Were you familiar with that exchange program they have?

Mr. HORN. Yes, sir.

Senator JOHNSTON. I would argue that that exchange program really constitutes a Federal purpose when they have that in-kind exchange, and those ought to be counted against the Federal numbers for the Natchitoches fish hatchery.

Mr. HORN. This situation is unique. It does add an extra dimension to that particular hatchery that we don't face in many other locations.

In terms, Mr. Chairman, of the general savings, we are fully cognizant, that because of the commitment to minimize adverse impact on personnel, the immediate savings that can be derived from closing or transferring a hatchery are fairly minimal. However, it is in the outyears that we begin to realize the significant cost savings.

Senator JOHNSTON. I have one further question here, but I would like to put it in the record because I do not want to burden the time of the committee. It has to do with the waterfowl development study, and I would ask that this be put in the record.

Senator JOHNSTON. Mr. Chairman, thank you very much for allowing me to take over.

Senator MCCLURE. Surely. Well, thank you very much for undertaking to get the hearing going. I appreciate that.

Senator Bumpers?

MIGRATORY BIRD CONSERVATION FUND

Senator BUMPERS. Mr. Chairman, I have three or four things that I want to take up with these gentlemen.

No. 1, is the migratory bird conservation fund [MBCF]. I had language put in the 1985 continuing resolution that would include the Cache River basin in Arkansas in commission consideration of spending moneys in the migratory bird conservation fund.

Who dictates to the Migratory Bird Commission how much money they are going to spend for land acquisition? Do they have carte blanche authority on that, or does the Fish and Wildlife Service determine that?

Mr. STIEGLITZ. There are several funding sources that funnel money into the fund, Senator. The most basic of these are receipts from the sale of duck stamps. That amount varies from year to year, but in recent years it has ranged between $14.5 and $16.5 million.

Also, potentially available is the loan advance to the migratory bird conservation fund. In any one year, the Congress can appropriate funds from the loan advance to the "Migratory bird conservation" account to buy lands for migratory waterfowl.

In addition, there are some funds from fees charged for right-of-ways on national wildlife refuges, for instance.

The amount available for migratory bird purposes in any one year can vary. In certain years it might be only receipts. If Congress appropriated funds out of the loan advance in a certain year, it could be a larger amount.

The Commission acts upon acquisition proposals that are developed and put forth by the Fish and Wildlife Service. The Commission must approve new refuges to be acquired out of the fund. They must approve the price per acre to be paid for any particular area.

CACHE RIVER ACQUISITION

Senator BUMPERS. I was under the impression that we were going to buy more land in the Cache River basin than has been proposed. I understood that a little over $2 million was going to be available for purchase of bottom land hardwoods in the Cache River basin, and if that is in fact the case, then I am not going to squawk with 1,600 acres. I was thinking we were going to buy more land there than that.

Mr. STIEGLITZ. Mr. Chairman, I think the amount available for the Cache acquisition project this year is about $2.88 million. We hopefully will acquire more than the acreage that you just mentioned. We will have a proposal before the Commission at their meeting next week. This would be the first approval that we have requested for the Cache River Refuge. The acreage, I believe, is in the range of 2,600.

This acquisition should not utilize all the funds available. It should utilize slightly less than one-half of the amount. There will be another proposal before the Commission later this year, probably at their July meeting. At this time, we would request authorization for the balance of the fund.

LAND AND WATER CONSERVATION FUND

Senator BUMPERS. OK.

[Pause.]

Senator BUMPERS. You do not request any money for land acquisition from the Land and Water Conservation Fund, is that correct?

Mr. STIEGLITZ. In fiscal 1987, that is correct, sir. The request is only for $1.5 million for acquisition management.

Senator BUMPERS. How much money is in the Land and Water Conservation Fund?

Mr. STIEGLITZ. You mean in the total fund?

Senator BUMPERS. Yes.

Mr. STIEGLITZ. I do not know, sir.

Senator BUMPERS. Does anybody?

Mr. HORN. Mr. Chairman, the way the fund operates, in essence, it is a bookkeeping device. The authorization is up to $900 million. Of course, if those funds are not appropriated after a period of time, all of the money is then moved into the general Treasury and is available for general appropriation purposes.

So it is not a trust fund per se. I, frankly, think of it more as a bookkeeping device.

Senator BUMPERS. So that is not a fund like a trust fund sitting out there building——

Mr. HORN. That is correct.

Senator BUMPERS [continuing]. With gasoline tax receipts and that sort of thing?

Mr. HORN. If the money is not appropriated after a period of time, all of the money reverts to the general fund.

WETLAND LOSSES

Senator BUMPERS. In your justification statement, you state that we are losing between 300,000 and 450,000 acres of wetlands a year, that in 1985 waterfowl populations were at a record low.

How do you say we are not going to spend any money for land acquisitions when we are losing between 300,000 and 450,000 acres of wetlands a year and the whole goal is to build a migratory bird population? Is that not a contradiction?

Mr. HORN. Mr. Chairman, we essentially purchase land in the Fish and Wildlife Service through two separate accounts, the Land and Water Conservation Fund and then, as Mr. Stieglitz indicated earlier, the migratory bird conservation fund. The MBCF is targeted expressly for wetlands for the benefit of migratory waterfowl.

In that area we are taking a number of actions both within our budget and with other aspects of the administration's program to address the question of wetlands.

Focusing first on MBCF, we are presently working very closely with the authorizing committees to increase the cost of the duck stamp to generate more money for the migratory bird conservation fund. We are working with the authorizing committees on establishing a limited entrance fee program on the National Wildlife Refuge System. A significant portion of that funding would be earmarked for the migratory bird conservation fund for wetland acquisition purposes.

In addition, we are actively promoting land exchanges. We anticipate very substantial ancillary benefits to accrue to the whole area of wetlands conservation from the very critical conservation title in last year's farm bill—the Soil Reserve Program, and the Swamp Buster Program among others. We expect to provide some very substantial wetlands benefits.

We think, in aggregate, that represents a fairly significant across-the-board effort to deal with the question of wetlands conservation. Considering those factors we concluded that we were taking enough action. Maybe not as much as we would like to, but given the budget circumstances more than enough, so that we could defer acquisitions under the Land and Water Conservation Fund. In recent times this acquisition has been targeted at refuge inholdings and endangered species as opposed to wetlands for ducks.

Senator Bumpers. Incidentally, what is the status of the legislation to increase the duck stamp from $7.50 to $10?

Mr. Horn. The increase in the price of duck stamps is one of the provisions in the emergency wetlands bill. We are working very actively with both authorizing committees on the House and Senate side, as well as a number of the interested constituency organizations, to see if we can craft a measure that everybody can support.

HATCHERY CLOSURES

Senator Bumpers. Well, finally, Mr. Chairman, I must take up my favorite subject with these folks, and I still don't understand this administration's obsession with fish hatcheries, but it is the best way in the world to get my attention.

You are proposing in your 1987 budget to close six warm water fish hatcheries in the Southeast region. That is a reduction of 74 percent. One of the hatcheries included is Mammoth Spring.

And, Mr. Chairman, I am going to insert for the record, with your permission, some points on the Mammoth Spring fish hatchery, among other things which shows that the U.S. Government gets $12 back in taxes for every $1 they spend on that one fish hatchery; that is, through the tourism industry in north Arkansas.

Why do you persist in this?

Mr. Horn. As I indicated——

Senator Bumpers. Now, if you are just going to tell me that philosophically hatchery production is the State's obligation, of course, you can say that. I am not going to buy that because I think that——

Senator McClure. Other than that, what would you like to say?

Senator Bumpers. Yes; do you have anything else to say? [Laughter.]

Is there anything besides that that you want to say?

FEDERAL FISHERY ROLE

Mr. **Horn**. Yes, sir; I think really what it is all about is that we were trying to come up with an appropriate fishery role for the Fish and Wildlife Service. What should we be doing as part of our fisheries program, particularly in an era of constrained budgets?

We wanted to ensure that our limited resources are focused in what we construed to be the proper areas. After looking at it, we came to the conclusion that, as it relates to the hatchery type programs, we should be focusing our attention on restoration of nationally significant depleted fishery resources—striped bass, lake trout in the Great Lakes, salmon in the Pacific Northwest, basically fish that cross jurisdictional lines. Those areas where it is not appropriate to have the States carrying the lead; it is most appropriate for the Federal Government.

Simultaneously, we have major statutory obligations related to endangered species, and in some areas we rear fish for endangered species purposes.

Last, we are engaged in mitigation efforts. It is a matter of law in many circumstances. When Federal water projects are developed, we play a very important role in helping to mitigate, through hatchery programs the adverse fishery effects that result from those water development projects.

We are trying to ensure that we continue to have sufficient resources available to do an optimal job, at least optimal to the degree, in those critical areas. We concluded that it's appropriate, therefore, to pull back and not pursue roles, such as in the propagation of warm water fish for farm pond stocking. Although it's a good program and produces benefits, and it's gotten us wonderful public relations throughout the South, and in many other parts of the country, we think it's important that we basically focus our limited resources on the critical Federal areas that I've enunciated.

That's the reason for our proposal to close or transfer hatcheries. It's not that we don't like warm water fish. It's not that we don't like the Southeast. We are trying to hold our limited resources and focus them in the critical areas of Federal responsibility. We know it causes some painful decisions, and this is one of them.

MAMMOTH SPRING HATCHERY

Senator **Bumpers**. And the hatchery is 82 years old. It has been operating for 82 years as a Federal fish hatchery. Its generated $20.1 million, the hatchery and aquarium, for just one poor county in north Arkansas alone.

And the $146,000 budget—I can't believe we are taking our time, the way we spend billions around here, talking about $146,000. And if that $146,000 wasn't worth about $1,400,000 in taxes, I mean, you're betting—you're betting that the State or somebody will take that hatchery over. And I'm betting you are wrong if you proceed, over my prostrate body in doing this. [Laughter.]

Mr. HORN. I would offer, Mr. Chairman, I think, that with the support of the committees, we would have a good prospect of getting the States to take it.

Senator BUMPERS. Let me tell you something. The Mammoth Spring hatchery participates in the Gulf Coast Brood Stock Program, the striped bass research studies, Red Bass and Trout Program and Feeder Bass Program—all Federal programs.

If you were to fulfill the void that they filled there, you'd be out over $146,000. This is just silly. This is nonsense. That's really important.

I'm for cutting the budget and everything, and you have already closed two or three hatcheries in my State, and I'm still upright—but, in any event—— [Laughter.]

Senator MCCLURE. Occasionally, we're not.

Senator BUMPERS. That's right. But I'll tell you, I'm going to squeal like a pig under a gate as long as you keep trying to close hatcheries. If the State doesn't take it over, then the Treasury, because of this nonsense, loses about a million, two to a million, five in revenues, which they could have kept for a paltry $146,000.

We will take this up again at markup, Mr. Chairman.

Senator MCCLURE. I anticipate that. [Laughter.]

Without objection, the—whatever.

Senator BUMPERS. I have one other question I'll——

Senator MCCLURE [continuing]. The one you had that you wanted placed in the record will be made a part of the record.

Senator BUMPERS. Please. And I have one question, additional question, I won't burden the committee with. I'll submit it for the record.

Senator MCCLURE. Surely. Before turning to Senator DeConcini, there are a couple of preliminaries I would like to do while members are here. One is to order that my opening statement be placed in the record at the beginning of the transcript for the meeting today.

INTRODUCTION OF ASSOCIATES

And to identify not only Secretary Horn but Acting Director Eugene Hester and give Mr. Horn the opportunity to introduce others who are with him, who may be testifying today, in aid of the reporter and that the members may identify.

Mr. HORN. Since I am unable to see all of my associates, let me just start with Rolf Wallenstrom and have everybody introduce themselves, including the regional directors.

Senator MCCLURE. I want particularly to ask the regional directors if, when you go down the list, if they will all stand and introduce themselves, tell us where they live, what portions of the country they manage and what their approximate budget and staffing totals are.

I think that's very helpful to us because we really do want to see the breadth and the scope as well as the people who are involved in this program.

Mr. WALLENSTROM. Mr. Chairman, I am Rolf Wallenstrom, Associate Director for Federal Assistance.

Mr. STIEGLITZ. I am Walt Stieglitz, Acting Associate Director for Wildlife Resources.

Mr. HESTER. I am Eugene Hester, Deputy Director of the Fish and Wildlife Service, and Acting Director in the absence of the Director.

Mr. VERBURG. I am Ed Verburg, Assistant Director for Planning and Budget.

Mr. SMITH. I am Dick Smith, Associate Director for Research and Development.

Mr. KUTKUHN. Mr. Chairman, I am Joe Kutkuhn, Associate Director for Fishery Resources. Good afternoon.

Mr. BLUM. Mr. Chairman, I am Joe Blum, Deputy Regional Director, Portland, OR. The region covers Washington, Oregon, Idaho, Nevada, California, Hawaii, and the western Pacific. We have approximately 86 full-time employees stationed in the regional office.

Senator MCCLURE. Thank you.

Mr. LARSEN. I am Howard Larsen, Regional Director for the Northeast, from Virginia, including the District of Columbia. I'm delighted to have you working in my region. [Laughter.]

The region has a $21 million budget, 600 people.

Senator MCCLURE. Thank you.

Mr. BUTERBAUGH. Mr. Chairman, my name is Galen Buterbaugh. I am Regional Director of the Rocky Mountain region, headquartered in Denver. I have eight States—North Dakota, South Dakota, Kansas, Nebraska, Montana, Wyoming, Colorado, and Utah. I have a total budget of about $59 million, and 662 full-time employees.

Senator MCCLURE. Thank you.

Mr. GILMORE. Mr. Chairman, I am Bob Gilmore, from Anchorage, AK, region VII. One State to look after, with a budget of $37 million, 350 people.

Senator MCCLURE. Thank you.

Mr. O'CONNOR. Mr. Chairman, I am Harold O'Connor, Associate Director of Habitat Resources Program.

Senator MCCLURE. Thank you, gentlemen, very much.

Senator BUMPERS. Mr. Chairman, we spent more money getting those guys down here today than it would take to keep the Mammoth Spring hatchery open. [Laughter.]

Senator MCCLURE. And I might observe that maybe with better results. I don't know. [Laughter.]

Senator DeConcini.

Senator DECONCINI. Mr. Chairman, thank you. Well, I've never visited the hatcheries in Arkansas, but I don't know why they're picking on the Senator from Arkansas——

Senator BUMPERS. Thank you, Senator DeConcini.

SAN PEDRO RIVER AREA

Senator DECONCINI. It doesn't make a lot of sense.

I'd like to ask Mr. Spear a question, if I could. You know that the Bureau of Land Management [BLM] has acquired a large area of land surrounding the San Pedro River Area in Arizona, and plans to manage it probably as a national conservation area.

Can you tell us what is the position of the Fish and Wildlife Service with regard to the management of this area? Do you believe the BLM has the appropriate expertise to manage the resources of the San Pedro River basin?

Mr. SPEAR. Senator DeConcini, the position is that we——

Senator MCCLURE. Can you speak up a little louder? Do you say you do support it?

Mr. SPEAR. Yes; we do support BLM's management of the San Pedro River. I believe they have the expertise. They have not produced their plans but all the expectations are that they're planning to do a good job.

REFUGE WATER RIGHTS

Senator DECONCINI. Thank you very much. That's helpful. I'm glad to have that on the record.

Maybe you can help me here. Under the Wildlife Resource Program, the Service proposes to reduce the identification and quantification of refuge water rights in fiscal year 1987.

In the Western States, where water quantifications is a major continuing controversy, how does the Service justify an action to slow the process on identification and qualification of these rights?

What would be the impact on activities for refuges in the Western States?

Mr. HORN. We've been fairly active on both the Fish and Wildlife Service side and the Park Service side in working with many States that are involved in major instream adjudications for water rights.

The reason we've proposed the budget reduction in the Fish and Wildlife Service is, that we've collected sufficient data for some of the projects we have been involved in the past. We don't see a dramatic need right now.

Mr. Stieglitz can answer the question in more detail. I would say that because we're trying to tailor our budget request to our immediate needs, we are proposing a reduction on the refuge side. For the Park Service, we are proposing an increase in the similar activity.

So we're trying to tailor our budget requests to the specific need.

Mr. STIEGLITZ. Yes, Senator; we should make it clear that we're not backing off this activity completely. We continue to have $175,000 in our budget for water rights work in the West. We're taking care of the priority needs.

Senator DECONCINI. You think you can meet those priority needs?

Mr. STIEGLITZ. Yes, sir; I do.

Senator DECONCINI. Do you have a list of those priority needs?

Mr. STIEGLITZ. I have a list. I can provide it for the record for those areas that we intend to work on in 1987.

Senator DECONCINI. I'd like to take a look at it. Thank you.

[The information follows:]

WATER RIGHTS

Water rights on refuges are a very important concern, especially on refuges in the 17 Western States where water may be in short supply. The Service has historically acquired water rights with land purchases and appropriated additional water pursuant to State law when needed. Thus, the concern for water rights on these refuges is not in establishing water rights but in monitoring and quantifying water usage to ensure compliance and defend existing water rights as the need arises. In order to insure the protection of water rights, Service policy is to require each refuge field station to submit annual water use reports documenting the need and use of water. Lists of refuges undertaking specific water quantification efforts is provided below:

1986

Refuge and State

Cibola, AZ
Havasu, AZ
Modoc, CA
Sacramento Complex, CA
San Luis, CA
Alamosa, CO
Arapaho, CO
Kakahia, HI
Benton Lake, MT
Bowdoin, MT
Medicine Lake, MT
Crescent Lake, NE
Moapa, NV
Ruby Lake, NV
Stillwater, NV

Refuge and State

Bos Del Apache, NM
Las Vegas, NM
Maxwell, NM
Des Lacs, ND
J. Clark Saiyer, ND
Teawaukon, ND
Upper Souris, ND
Lacreek, SD
Karl E. Mundt, SD
Hagerman, TX
Laguna Atlascosa, TX
Santa Ana, TX
Turnbull, WA
Seedskadee, WY

In addition to the above refuges which may not be completed by the end of fiscal year 1986, new efforts will be initiated at the following refuges in fiscal year 1987:

Refuge and State

Modoc, CA
Alamosa/Monte Vista, CO
Benton Lake, MT
Black Coulee, MT
Bowdoin, MT
Charles M. Russell, MT
Creedman Coulee, MT
Halfbreed Lake, MT
Hewitt Lake, MT
Lake Mason, MT
Lake Thibadeau, MT
Lamesteer, MT

Refuge and State

Lee Metcalf, MT
Medicine Lake, MT
National Bison Range, MT
Nine-Pipe, MT
Pablo, MT
Red Rock Lakes, MT
Swan River, MT
Ul Bend, MT
War Horse, MT
Ruby Lake, NV
Malheur, OR
Bear River, UT

ARIZONA PROJECT WATER

Senator DECONCINI. Regarding the essential areas on a project, I understand that several cities and two Indian communities located along or near the Verde River, which have signed Central Arizona project [CAP] water service contracts, must work out agreements that will allow them to divert Verde River water in exchange for their Central Arizona project water.

The Service has reviewed these plans and has recommended two mitigation measures that seem to be in conflict to this Senator.

On the one hand, the Service is recommending that these entities manage the Verde River to maintain an adequate forage base for the bald eagle.

This means insuring conditions that are adequate for the propagation of carp.

Then, on the other hand, the Service is recommending that these entities manage river flows to maintain the native fish populations.

Since the river cannot be operated in a manner to satisfy both conditions, can you tell us which recommendation the Service prefers?

Can the Service work with the community to give them guidance on the preferred recommendation?

Mr. HORN. Mr. Chairman, I would like to ask Regional Director Spear to address that particular issue.

Senator DECONCINI. Fine.

Mr. SPEAR. Senator, we have——

Senator MCCLURE. Can you stand up? Thank you.

Mr. SPEAR. Instream flow studies are underway with both the State and the Bureau of Reclamation at this time. At the conclusion of those studies in 1987, we will work out the flow needs.

Since we're dealing with endangered species, both endangered fish and bald eagles, we have a responsibility to work out a plan that basically will be responsive to both those species.

These instream flow studies are part of a biological opinion, the recommendations that were more or less the stipulations that allowed the forward progress on Cliff Dam. Once the flow studies have been completed, then we have a support from the State, the Salt River project, and Bureau of Reclamation, to ensure that those flows remain for the protection of those species, which will then remove any potential jeopardy situation related to bald eagles and Cliff Dam.

Senator DECONCINI. You could do that? The adequate—based flows, and you could also have managed the river flows to maintain the fish populations at the same time?

Mr. SPEAR. The current situation is good for the eagles and the native fish. What we are really studying is to what extent can those flows be decreased and still allow for both.

Senator DECONCINI. And when will you receive those studies? Or when will you——

Mr. SPEAR. Well, we should have results from the flow studies next year. I believe it's mid-next year.

Senator DECONCINI. I would appreciate knowing that.

So you think those two different positions then are not really contradictory?

Mr. SPEAR. No; not in terms of the native fish and the eagle because, in fact, the existing flows are supporting both.

FEDERAL AID ADMINISTRATION

Senator DECONCINI. All right, thank you.

Mr. Horn, I understand from your budget submission that the Service is proposing to reduce funding for administrative activities for the Sports Fishing Program by $5.2 million.

The savings from this reduction will be allocated to the States. While this seems like a proposal which the States would support, I am informed many State agencies are concerned that important administrative activities which benefit all States could be sacrificed as a result.

What is the justification for this proposal? What impact will it have on an ongoing project that helps to administer the overall program?

Mr. HORN. Mr. Chairman, as a general matter of policy, we have been making efforts within the budgetary constraints, and the effort to meet the Gramm-Rudman-Hollings deficit reduction targets, to reduce administrative overhead and cost of operation and continue to ensure that sufficient funds are going to the resource on the ground.

The decision we made in this area was just one more manifestation of that general policy. We concluded, since this program has been in existence for many years, that the resources of the Nation, particularly the fishery resources, would be better served by allocating additional funds to the States for investment in on-the-ground fishery-related resources as opposed to spending those moneys on Fish and Wildlife Service administrative costs.

I know that some of the States and State agencies have disagreed. They would prefer to continue to rely on us for some degree of administrative project support.

We think we have given the States additional flexibility. If they can get together on their own within the regional context, or even in a national context, pool some of that funding, some of these projects that we used to basically pay for out of this account could continue as a matter of their volition.

But, if they choose, then they've got additional money to put into the resource on the ground. We think that's the best place for this money to go.

ADMINISTRATIVE REDUCTION

Senator DECONCINI. And this is all necessitated by Gramm-Rudman-Hollings?

Mr. HORN. It wasn't necessitated because of Gramm-Rudman-Hollings. There is no real budgetary change as a result of this. It's just the general proposition in our mind that the dollars are better spent on the ground for the resource as opposed to being spent for administrative operating costs.

Senator DECONCINI. In cost speculation, do you think you would have done it anyway?

Mr. HORN. As I said, it had no relationship to the total numbers. We probably would have done it anyway.

Senator DECONCINI. Thank you, Mr. Chairman. I have additional questions I would like to submit for the record. I thank the chairman for his time.

Senator McClure. Thank you very much.

Senator Burdick?

NORTH DAKOTA ACQUISITION

Senator Burdick. Mr. Chairman, thank you.

North Dakota has long been known as the duck factory of that whole region. As such, the Federal Government is extremely interested in acquiring fee title and easements to protect waterfowl production.

In the early 1960's, Governor Guy gave the Fish and Wildlife Service permission to acquire certain land within the State under the condition that Congress provide each county a payment in lieu of taxes [PILT] lost.

Congress agreed and made the PILT tax a part of the national program.

The duck stamp does not generate enough funds to both purchase additional lands and provide counties their fair share.

As a result, Congress expects you to make up the difference. However, because of the interest to reduce the deficit, it has not provided the full amount. Last year, it covered 60 percent of the full payment. And this year, the administration requests that it be lowered to 58 percent.

This means that North Dakota and its three neighboring States bear the burden of the program, and will lose $1.3 million in local taxes.

I don't care who answers it but anybody who wants to, isn't this a kind of reneging on the contract, when you don't pay the States what you agreed to in the first place?

Mr. Horn. Mr. Chairman, the reason for the reduction is a fairly simple one. As opposed to some of the other Federal agencies who can take the payment in lieu of taxes money out of revenues and receipts, we have to request a portion of ours through the general appropriation process.

Given the budget ceilings that we were provided, and in order for us to increase the funding request above 58 percent in the PILT Program, we would have had to take money out of other major program operations. We had already taken essentially, a 19-percent cut in our overall budget, and concluded that it was not appropriate to take additional cuts.

Moreover, as a general matter of policy, the budget that we have submitted for the Fish and Wildlife Service eliminates most of the State aid or State grant programs, except for those that are funded expressly through excise taxes, such as Dingell-Johnson and Pittman-Robertson.

So it was not a decision we made with any glee, nothing that we liked to do. The funding that has been made available is not sufficient to cover more than 58 percent without taking from other, what we consider to be, important programs.

PILT PROGRAM

Senator BURDICK. Yes; that's all fine, but you've made a contract with the State. You were going to replace the taxes lost. And, right now, we lose 33 percent.

Now you talk about your problem. What about North Dakota's problem? And now it's going to be 58 percent. They're going to lose 42 percent.

Whose going to make up that loss of revenue to the States? That's not coming out of the sky. It's got to come some place.

So you talk about your problem. What about our problem?

Mr. HORN. I understand that, Mr. Chairman. It's a decision that we made based on the overall balancing of statutory obligations and the amount of dollars we have available to us.

We know that it does cause pain. It is not an optimal solution. But, given the competing interests that we have to deal with and the obligations, it was, frankly, the best we could do.

Senator BURDICK. I don't see anything competing about it. We made a deal and you're not paying up. And you expect North Dakota to absorb this some way, don't you?

Mr. HORN. It is our budget proposal. As I indicated, it is something we would like to do a better job with, but we don't have the resources available to us.

Senator BURDICK. In other words, you made a deal and now you're short of money, you can't complete it. Is that it?

Mr. HORN. In some respects, yes.

Senator BURDICK. I don't know whether that's morally and ethically right to shift that burden to the State now after you fail to make the payments.

I don't understand that one at all.

The Environment and Public Works Committee has a bill pending that would increase the duck stamp in order to generate the additional funds.

In addition, the committee recommended to the Budget Committee that at least a reasonable payment be made. Failure to provide a reasonable payment would impede the Fish and Wildlife Service efforts to purchase additional lands.

Now the question. If full payment is not provided to cover the lands taken out of the local tax base in the counties, do you think this will have an effect on the Service's ability to operate the program?

Mr. HESTER. Yes, Senator; we have some places in which there is a resistance to our purchase of land. This is one of the factors in that resistance.

Senator BURDICK. But I'm not talking about those where you're about to purchase them, I'm talking about where the purchase is complete. Done. Over.

PILT OBLIGATION

Mr. HESTER. Yes, sir; we have people who are unhappy with the fact that we're not paying 100 percent.

Senator BURDICK. Well, based upon what's been testified so far, you could reduce this to 5 percent, to nothing. You know, that's correct. It's possible.

Mr. HESTER. We could not do it through receipts. We would have to do it through increased appropriations.

Senator BURDICK. One suggestion advanced by the State is when the delinquent tax that you're supposed to pay equals the assessed value of the land, the title then goes to the State for placement in the refuge system.

Would you comment on this proposal? In other words, when the unpaid amounts equal what the assessed value is, it goes back to the State.

What do you think about that one?

Mr. HESTER. I think a long-term solution is for us to find ways to meet this payment in lieu of taxes, rather than the alternative you've described.

Senator BURDICK. Well, all I hear from you is the payment to the States is going to be reduced.

Mr. HESTER. The amount stays basically the same as previous years. The percentage goes down. We have $4.6 million in receipts from our income to refuges that is available and is used for this purpose. In addition, we have an appropriation of $5.6 million.

It is not sufficient to make full payment. It is sufficient to pay 58 percent to which the Senator has already referred.

WETLAND ACQUISITION

Senator BURDICK. Under the Reagan administration, funds available to the States and the National Park Service under the Land and Water Conservation Fund has been cut rather sharply.

Is it my understanding that individuals are suggesting that the Park Service lands and water conservation funds be available, acquiring protection of waterfowl habitat.

Do you agree with using this fund for this purpose?

Mr. HORN. Mr. Chairman, we are presently working with the authorizing committees on the emergency wetlands bill. Among the provisions in that pending measure, it would authorize the use of land and water conservation funds both on the Federal and State side for the purchase of wetland-related habitat.

That is something that the administration is on record as supporting.

ENDANGERED SPECIES GRANTS

Senator BURDICK. Regarding the State cooperative plans for endangered species, the administration recommends zero funding.

How does the administration plan to meet its requirements under the Endangered Species Act without having States participate?

Mr. HORN. Mr. Chairman, we decided to make the cut this year simply because of our previous experience in fiscal year 1982. The same grant program was zeroed in the 1982 budget. Based on the fact that the programs continued, the States continued to participate in endangered species programs, without any adverse effects, we could zero the program again in fiscal year 1987, when we were facing the need to meet the Gramm-Rudman-Hollings target.

So, based on our 1982 experience, we basically proposed a similar cut in zeroing of that Grant Program in fiscal year 1987.

Senator BURDICK. What happens to the program now, a second time, if the State doesn't appropriate the money?

Mr. HORN. Well, we think that, generally, in the interim, States have gotten far more active in the endangered species type programs through tax checkoff systems, and their own other forms of funding.

Frankly, they're now in a better position to continue to keep their hands on the oar than they were in fiscal year 1982.

We concluded, therefore, that we could safely—not optimally, but safely—cut this program back again to meet the deficit reduction targets in 1987.

Senator BURDICK. You're simply saying the State's got to do it, or it's not going to be done.

ENDANGERED SPECIES FUNDING

Mr. HORN. Well, no. Our endangered species funding still remains well over $20 million. We are going to continue to make a very substantial contribution in the field of endangered species to fulfill our statutory obligations under the Endangered Species Act.

It's just that this one particular aspect, the State Grant Program, we are proposing for elimination in fiscal year 1987, based on the experience when we zeroed the program in 1982.

ENDANGERED SPECIES—NORTH DAKOTA

Senator BURDICK. I'm aware of the budget in North Dakota is going to be tighter and tighter. And I have a serious question of whether they'll have any payment out of this at all.

How will that affect the program in North Dakota?

Mr. HORN. I don't know about the particular details of North Dakota.

Senator BURDICK. Well, they're short of money. That's the detail.

Mr. WALLENSTROM. The State of North Dakota this year is receiving $40,000 under the section VI grants. This money is going for black-footed ferrets and least tern activities. We would hope the State would continue to do that.

Senator BURDICK. Well, I'll have a real battle next January and February in the legislature because the reduction in oil income revenue, and all that, we're going to have a real tight situation.

I hope we can do it but I think it's going to be a big problem.

Well, thank you.

ENDANGERED SPECIES LISTING

Senator McClure. Thank you, Senator Burdick.

Mr. Secretary, we currently have 765 species listed as endangered, and 120 listed as threatened. As of December 1985, another 58 species are proposed for listing, and over 3,800 species are formally recognized as candidates for potential listing.

You are proposing a reduction of $249,000 or 8 percent in listing activities in 1987. The number of species listed reclassified or delisted in 1985 was 64. In 1986, it is estimated to be 65. And in 1987 is proposed at 65.

How many of the 65 actions in 1986 and 1987 are for listing?

Mr. Horn. Mr. Wallenstrom will answer that question.

Mr. Wallenstrom. Mr. Chairman, the $249,000 reduction would be a reduction in the status surveys. Surveys are used to add species to category one of the list. And we've already got 1,100 species on that list.

So we do not expect the reduction of this $249,000 to slow up listing at all because we've got a backlog of 1,100 species.

Senator McClure. Out of the 65 actions, how many will be listings as compared to delist? How many will be listings and how many will be delist acts?

Mr. Wallenstrom. That would strictly be an estimate at this time. But I would judge somewhere in the neighborhood of 60 listings and 4 or 5 delistings.

LISTING AND RECOVERY COSTS

Senator McClure. How much does it cost to list a species?

Mr. Wallenstrom. Last year, it cost $48,000 to list a species. In previous years, it was about $63,000. And earlier in the program, it was around $200,000.

Senator McClure. Typically, once a species is listed, what do we spend to recover? For the recovery activities of that species.

Mr Wallenstrom. What do we spend for recovery activities?

Senator McClure. Yes; it costs about $48,000 to list them, but then what do we spend in the recovery program?

Mr. Wallenstrom. Well, we have in our recovery program about twice in the listing program. We've got roughly $6 million in the recovery activity, and about $3 million in the listing.

Senator McClure. So we have 765 species listed as endangered, 120 listed as threatened, and you expect to add 60 to that next year, a net of, if you delist 4 or 5, a net of 55–56 additional.

You spend the same amount to put them on the list, but you spend more for recovery activities. Is that correct?

Mr. Wallenstrom. Well, that's correct. There is a bottleneck in that we are listing more species than we have the funds or the staff to delist.

Senator McClure. Are we spending about $30,000 a year for recovery activities, on the average?

Mr. Wallenstrom. It depends on whether you count every species listed, but around $50,000.

Senator McCLURE. Around $50,000.

Would it be fair to assume then, for every new listing, we have a commitment to spend around $50,000 on the average for recovery activities?

Mr. WALLENSTROM. Yes, sir.

Senator McCLURE. As of 1985, you have 323 recovery plans developed, of which 223 have been approved. In 1986, you estimated having 335 recovery plans developed and 234 approved.

In 1987, you propose having 375 recovery plans developed, and 275 of those approved.

Why is it that we're only preparing and approving 12 recovery plans in 1986 and 40 in 1987?

Mr. WALLENSTROM. There is not a direct correlation between the numbers and the types of species that we might list in a given year.

Some years, we get species that are local in nature. You can contract a recovery plan out to a contractor who is an expert. Therefore, that cost of a recovery plan is very little.

Also, we have another case that——

Senator McCLURE. I realize that these are only averages we're talking about but, nevertheless, they're about the only thing that we have to look at——

Mr. WALLENSTROM. I understand.

RECOVERY PLAN BACKLOG

Senator McCLURE [continuing]. Because we don't have specific detail. And you've indicated that we could anticipate about the same level or average level of recovery expenditures per species.

Why is there a continuing backlog of 100 recovery plans prepared but not approved?

Mr. WALLENSTROM. Recovery plans have the requirement that they be fully reviewed at the local level. We have tried to get all the levels of government involved. We try to get all the experts we can find involved. Therefore, that frequently takes quite a bit of time.

We have more in that pipeline where the scientific work is done, but the discussions with the local government have not been completed yet.

Senator McCLURE. You're proposing to continue recovery planning at the 1986 level of $2,069,000 in 1987.

How will you prepare 40 recovery plans in 1987 for the same amount of money it costs you to prepare 12 in 1986?

Mr. WALLENSTROM. We have started new procedures and one of them is that we are doing geographic recovery plans. We can do a recovery plan that would include more than one species in the plan.

So that would be one rationale for that difference.

Senator McCLURE. Do you have any detail or indication of where that overlap will occur, so that you can prepare three times, 3½ times as many recovery plans for the same number of dollars?

Mr. WALLENSTROM. I can provide that for the record.

Senator McClure. Would you please?

Mr. Wallenstrom. Yes, sir.

RECOVERY PLAN COSTS

Senator McClure. How much does it cost to prepare a recovery plan? Is there an average or a range of expenditures?

Mr. Wallenstrom. Yes; it costs about $1,000 if we contract it out. But $3,500 if we have a recovery team. These are average prices. And about $2,500 if we do it in-house with our own people.

Now those are not counting the costs of our own staff review, et cetera. Those are——

Senator McClure. And it doesn't count the cost of the staff time of other Federal agencies—State agencies?

Mr. Wallenstrom. That's correct.

Senator McClure. Do you have any geographic recovery plans yet?

Mr. Wallenstrom. Yes, sir.

Senator McClure. How many?

Mr. Wallenstrom. I'd have to look that answer up for you.

Senator McClure. Would you provide that for the record, please?

Mr. Wallenstrom. Yes.

Senator McClure. And would you give me the dates when they were established, so I see kind of the pattern——

Mr. Wallenstrom. Yes, sir.

Senator McClure [continuing]. In that area?

[The information follows:]

MULTIPLE-SPECIES RECOVERY PLANS

The approved recovery plans that are geographic in nature (ecosystem-based) and include more than one species are listed below, by date of approval:

Plan name	Number of species	Date of approval
Hawaiian waterbirds	4	June 19, 1978.
Antioch Dunes species	3	Mar. 21, 1980.
Eureka Valley Dunes plants	2	Dec. 13, 1982.
Hawaiian forest birds	4	Feb. 3, 1983.
Hawaiian seabirds	2	Apr. 25, 1983.
Kaui forest birds	6	July 29, 1983.
Channel Islands species	7	Jan. 26, 1984.
Topminnows	2	Mar. 15, 1984.
Big-eared bats	2	May 8, 1984.
Maui-Molokai forest birds	7	May 30, 1984.
Marine turtles	6	Sept. 19, 1984.
NW Hawaiian Islands passerine birds	3	Oct. 4, 1984.
California butterflies	2	Oct. 10, 1984.
Salt Marsh harvest mouse/CA clapper rail	2	Nov. 16, 1984.
San Marcos River species	4	Dec. 3, 1984.
Delta green ground beetle/Solano grass	2	Sept. 11, 1985.
Pearly mussels	3	Jan. 25, 1986.
17 plans	61	

In addition, the following plans are now in the development stage:

Plan name	Number of species
Ash Meadows species	8
Beach mine	3
Georgia-Tennessee fish	2
Guam forest birds	5
Guam fruit bats	2
Key Largo species	2
Pincushion cacti	2
Texas cats	4
Yaqui fishes	3
Nine plans	31

COMPLETION OF RECOVERY PLANS

Senator McClure. Of the 389 currently listed domestic species, only 223 have approved recovery plans. In 1987, you plan to list or delist 65 additional species, and you estimate completing 40 approved recovery plans.

That would sound like we're losing ground, if I'm correct; even at the optimistic estimate of 40, we're dropping back by 20. Is that correct?

Mr. Wallenstrom. Yes, sir.

Senator McClure. And is it a realistic estimate that you're going to get those 40 new plans during 1987?

Mr. Wallenstrom. Yes, sir; I hope so.

Senator McClure. Is it just vain hope, or real expectation?

Mr. Wallenstrom. It's the best estimate we have, sir.

Senator McClure. I think I'll ask the question again.

Is it vain hope or real expectation?

Mr. Wallenstrom. It's based on what we have in the pipeline. And——

Senator McClure. And you believe you will complete those for the money that you have available?

Mr. Wallenstrom. Next year, yes, sir.

Senator McClure. When you submitted your 1985 budget, you estimated completing 54 approved recovery plans for a total of 241 by the end of 1985.

However, as of the close of 1985, you only had 223 approved. Are your estimates now better than they were then?

Mr. Wallenstrom. No, sir; I think that's about 10 percent and I would think that——

Senator McClure. That's 10 percent of the total, not 10 percent of the activity level.

Mr. Wallenstrom. That's true.

Senator McClure. A much higher percentage of the activity level.

Mr. Wallenstrom. I think our estimates are somewhere in the same ballpark. It's very hard to get a handle on that.

[Pause.]

Senator McClure. Actually, you planned to add 54 and you got 36. That's not a 10-percent error, that's a 35 percent error.

Is that correct?

Mr. WALLENSTROM. Yes sir.

SUCCESS OF ENDANGERED SPECIES PROGRAM

Senator McCLURE. At the current rate of listing versus recovery plan preparations, when do you estimate we'll catch up? Or will we ever? We're falling behind, aren't we?

Mr. WALLENSTROM. Yes; we are.

Senator McCLURE. And if that's the case, then we'll never catch up. We'll only see each year falling further behind.

Mr. Secretary, perhaps, rather than ask him that question, I should ask you that question.

Mr. HORN. Well, I think that we, obviously, are trying to streamline the system so we can operate with the money we've got and do more with less.

Obviously, at some stage of the game, we'll have to assess the success of our ability to administer the program in that fashion, hoping at the same time the budget situation may turn around. If we find that we cannot do an effective job of administration with reduced funds, we're going to have to come back and do some reordering of our internal budget priorities.

I am hoping that we can do a better job of management, try to do more and basically hold the line with what we've got.

If that fails, we may well indeed be back next year or the year after seeking moneys above the levels that we're presently requesting.

PIPING PLOVER

Senator McCLURE. In a Federal Register notice on Wednesday, December 11, 1985, you announced the addition of the piping plover to the list effective January 10, 1986.

The notice says that the primary threats of the plover are habitat destruction and disturbance to individuals on their ocean beach and inland lakeshore nesting sites.

While the species is fairly widespread as yet, individual populations may be very vulnerable. For instance, the notice points out that only 10 pairs occur in Rhode Island. I understand that most of these use only a few beach areas.

Has a recovery plan been written for this species?

Mr. WALLENSTROM. No; the plan has not been written, sir.

Senator McCLURE. When can we expect that that recovery plan will be written?

Mr. WALLENSTROM. We expect to have the plan completed by the end of the year.

Senator McCLURE. That's one that's on the list for completion this year?

Mr. WALLENSTROM. Yes, sir.

Senator McCLURE. Do you know what the cost of that recovery plan will be?

Mr. Wallenstrom. No; I don't.

Senator McClure. Could you provide for the record, an estimate of that recovery plan expense?

Mr. Wallenstrom. Yes, sir.

[The information follows:]

Piping Plover Recovery Plan

The piping plover was listed on December 11, 1985, as endangered in the Great Lakes region and threatened elsewhere in the United States. Due to the wide geographic range involved, there will be two recovery plans, both of which are now under development by the Service. One plan will cover the Great Lakes and northern Great Plains, while the other will cover the Atlantic coast. Currently, both plans are scheduled for completion by the end of fiscal year 1986, with release of the first draft in the fall of fiscal year 1987. The cost for the Great Lakes plan, to be developed by a recovery team, is $4,000, while the Atlantic plan, also being developed by recovery team, is estimated at $3,000.

PIPING PLOVER RECOVERY

Senator McClure. With what appears to be critically low numbers and limited habitat, it would appear that management zones should have been determined to protect those few birds.

What are the chances that the current population will no longer be there by the time the recovery plan is prepared?

Mr. Wallenstrom. I think that is always a possibility but, based on the review of the information we received, we feel that we will be able to recover that species. We will not have to have critical habitat in that case.

Senator McClure. Can you give me an estimate, either now or for the record, of what impacts may encroach upon their habitat on the Rhode Island beaches during 1986?

Mr. Wallenstrom. I can give you one for the record, and perhaps our regional director could give you——

Senator McClure. Yes.

Mr. Larsen. Let me speak to that.

Senator McClure. Please.

Mr. Larsen. We have a series of refuges. We've closed a large part of the beaches, this year. A couple of our refuges there were setting off entire areas, and not fencing them off but delineating the area with a barrier and a series of stakes.

We're moving the areas that previously have been used for public use to give them more of a chance to nest.

We proposed another area on a large beach in Massachusetts, a 3.2-mile area, that we're going to close to public use, knowing that plovers have nested there before successfully, and hoping to retain those nesting pairs now.

RHODE ISLAND PLOVERS

Senator McClure. But, am I correct in my statement that the modus points out that only 10 pairs occur in Rhode Island?

Mr. Larsen. I think that's probably a pretty fair estimate. I visited the one beach 2 years ago, when there was only one nesting pair on that beach in Rhode Island that year. And I saw that pair running down to the water's edge because somebody's dog had already gone up and destroyed the nest. They were running about frantically.

This is the sort of thing we're trying to prevent and stop usage of the beach at the time of the year when those birds are nesting.

There also is a lot of losses from unexpected storms. They nest right in the toe of the dune. And if you get a good, heavy storm, that can create a problem.

So, that, added to human disturbance, has raised havoc with the population.

Senator McClure. How much of that habitat is critical to them—and I don't want to use that in precise——

Mr. Larsen. We'll scrub critical habitat.

Senator McClure. Let me rephrase that. How much of the habitat has been identified as important to the plover in Rhode Island as private land?

Mr. Larsen. Oh. I can't give that figure right off the top of my head. We have—Rhode Island doesn't have a whole lot of beach area to begin with. It isn't that big a State.

Senator McClure. They don't have a whole lot of plovers either.

Mr. Larsen. It isn't a whole lot of State. But—it's an important State. Very important State. [Laughter.]

Understand that. [Laughter.]

My guess is we have something less than 10 percent of the available area that can be protected in one way or another. This is the critical problem because the areas where they have occurred in the past are being developed, are being converted to condo use, to recreational development.

And these birds just don't tolerate that kind of thing.

Senator McClure. Well, you might——

Mr. Larsen. I see Don smiling. I hope he doesn't have some question that's really going to zing me. [Laughter.]

Senator McClure. Well, I guess this is not a particular question except it's one I'm interested in and, obviously, it's one that has—I hate to use the term critical, but it has some critical proportions, or appears to have.

I wonder if you could provide for me, or for the record, a preliminary estimate, a kind of a thumbnail sketch of the areas that are involved and the private property ownerships that are affected in that area and might be affected by a recovery plan.

Mr. Larsen. Surely.

Senator McClure. I'm not asking you to prejudge that issue. And an estimate of what's going to change during the year while you're working on the recovery.

Mr. LARSEN. OK.

[The information follows:]

PIPING PLOVERS IN RHODE ISLAND

In 1985, piping plovers nested at seven sites in Rhode Island. Fourteen pairs of plovers fledged only 12 young to flight stage, so productivity is continuing to decline. The Service attributes this decline to increased predation and increased disturbance from recreational use. Nesting beaches (and ownership) in Rhode Island are: (1) Napatree Point (private), (2) Maschaug Beach (private), (3) Ninigret Beach (State), (4) East Matunuck (State, (5) Trustom Pond (Fish and Wildlife Service), (6) Briggs Beach (private), and (7) Quicksand Pond (private). Acquisition of the latter two sites is presently being pursued by The Nature Conservancy. All sites are managed with fencing and road patroling to the extent possible in order to minimize human disturbance. The Service does not anticipate any landowner conflicts with the people who own plover nesting beaches in Rhode Island. They have all been very cooperative in allowing the State to manage the plovers. In fact, the best productivity in 1985 was on private lands at Quicksand Pond, where three pair fledged eight young.

RHODE ISLAND UNEMPLOYMENT RECORD

Mr. LARSEN. We are working actively this year. We're not waiting for the birds to be gone.

Senator MCCLURE. I understand that. But there are other people who are actively working, too, I suspect.

Mr. LARSEN. Oh, I expect they are.

Senator MCCLURE. Rhode Island's unemployment record isn't as bad as some others. And I assume that the economic pace of development is pretty good. And, therefore, more condos are being built.

The Canadians are selling them more timber and more lumber.

I have some further questions that I will submit on the record with respect to delisting. I think we have to look at the pace at which we make decisions. I would welcome any suggestions you might have as to ways to strengthen the program or refine or redirect the program, or ways in which we could focus our activities toward more rapid resolution of problems that are in a period of rapid change, particularly those that, if, indeed, a new listing is indicated, to be accomplished.

I'm not asking you to get involved in a whole lot of controversy, but I realize that some of the questions I'm talking about are controversial.

Every 5 years, you're required to make a status review of listed species to determine whether to delist the species or whether to change the classification of the species.

We've information that shows you're still carrying some species on the list, even though there's been no confirmation of their existence in more than 5 years.

One of these species is the Bachman's warbler. I understand that the Forest Service has spent and is still being forced to spend considerable money due to a Fish and Wildlife Service biological opinion on the warbler, even though their 5-year study concluded that the species no longer exists.

I understand that the study results were presented to the Fish and Wildlife Service several years ago.

Why haven't you taken action to delist this species?

Mr. WALLENSTROM. Mr. Chairman, the warbler was researched on two recent occasions. And there was not any information to prove or disprove that there was a viable population out there.

But, there have been some rather creditable sightings by people, like from the Smithsonian Institution, that have a lot of credibility behind them on warblers.

And our predicament is one of we don't want to delist a species until we're absolutely sure that the species has become extinct.

Senator McCLURE. How absolutely sure do you have to be?

Mr. WALLENSTROM. Well——

Senator McCLURE. What kind of evidence do you have already?

Mr. WALLENSTROM. OK. We would take a look at the facts of the Forest Service. I believe they have been asked to, and they did, manipulate some timber cover. They go back now once a year to review that cover to see if there's any sign that the warblers are using it.

At the end of that time, if that study has no positive effect, and if, in addition to that, there have been no sightings around the country that have any credibility at all, we would take that as a 5-year period.

The warbler is a kind of a species that is not easily seen. It's in habitat that can easily hide it. So I would say it could take 5 to 10 years of recordkeeping and then one creditable sighting can throw that back aways, if you get one during that time.

Senator McCLURE. OK. Can you provide for the record what creditable sightings you've had of the warbler?

Mr. WALLENSTROM. Yes, sir; yes, I can.

Senator McCLURE. Now, am I correct that the Forest Service study—that the Forest Service study, which was a 5-year study, concluded that the species does not exist any longer?

Am I correct that that was a result of their study?

Mr. WALLENSTROM. Well, that's not the same as the 5-year determination that the Service would make.

Senator McCLURE. No; I didn't ask you that.

Is that the result of their study?

Mr. WALLENSTROM. They concluded there was not a viable population, yes.

Senator McCLURE. Well, didn't they say it no longer exists?

Mr. WALLENSTROM. I would assume they did. I have not read the study.

Senator McCLURE. I don't know whether there's a difference in the language I used and the language you used.

Mr. WALLENSTROM. Yes; that's the language my staff gave me, and I'm correct, I'm sure.

Senator McCLURE. All right.

Mr. WALLENSTROM. We have had some sightings since their study, and I think perhaps Jim Pulliam, our regional director, can make reference to the sightings that have taken place.

I know we had one in Cuba. Jim, do you——

Mr. PULLIAM. My understanding is a viable sighting was by S. Dillon Ripley in Cuba around 1980. There's also been a reported sighting in Tennessee. I'm not sure how credible that is.

I talked with staff just before lunch, and they indicated there had been two people who reportedly observed the Bachman's warbler in west Tennessee, but I can't really substantiate that sighting.

Senator MCCLURE. Would you provide for the record whatever information you have?

Mr. PULLIAM. I'd certainly be happy to do that.

[The information follows:]

BACHMAN'S WARBLER SIGHTINGS

The Bachman's warbler, first discovered in South Carolina in 1832, has a 150-year history of erratic appearances and disappearances from known habitat. The most recent confirmed sighting of this species, of which the Service is aware, was made in Cuba on April 6, 1980, by S. Dillon Ripley of the Smithsonian Institution, Abelardo Moreno of the Cuban Academy of Sciences, and three other observers. On May 5, 1981, a Bachman's warbler was reported from Tennessee NWR, however, this sighting was not confirmed. Another recent unconfirmed sighting made near Charleston, SC, in March 1979 was reported in American Birds. Between 1972 and 1978, there were 13 sightings of the species reported, with the majority of these being from the area in South Carolina that many consider to be the most important historic habitat of the bird—I'On Swamp, which is now part of the Francis Marion National Forest. Although sightings continue to be reported, particularly near the I'On Swamp area, the bird is very elusive and confirmation of reported sightings is difficult. A published photograph of a singing male was taken near Charleston, SC, in the mid-1960's, in what was apparently the last solidly confirmed sighting of the bird from this area. Since discovery of the bird in the 1830's, other sightings were made in 1901, repeatedly (with nests) from then through 1920, 1938, and 1946. Since then, confirmed sightings have been quite scarce.

Because of the lack of verification of extant populations, the Service does not give the Bachman's warbler in species lists to other Federal agencies as part of the section 7 consultaton process. However, a formal consultation was conducted in 1978 and 1979 with the U.S. Forest Service on the effect of the 1977 Francis Marion National Forest land management plan on the Bachman's warbler. As part of this consultation, the Forest Service made the commitment to "continue surveys and habitat analyses in order to determine the status of the Bachman's warbler; maintain mature bottom land timber along a one-quarter-mile zone * * * in I'On Swamp; practice various methods of regeneration and thinning in both hardwood and pine types * * *." on This basis, the Fish and Wildlife Service concluded, in its July 2, 1979, biological opinion, that forest management as proposed for Francis Marion Forest was not likely to jeopardize the continued existence of this species. Further commitments to maintain habitat, encourage warbler use, and continue surveys were contained in a 1978 letter from the regional forester to the Service. Provisions were made for the Forest Service and the Fish and Wildlife Service to review the results of the proposed management and monitoring at 5 year intervals in order to make a determination of whether they should be continued. At the first 5 year review, held in 1985, it was discovered that the Forest Service's previous commitments for experimental cutting and annual monitoring for the species had not been completely carried out. The Forest Service is currently making plans to follow through with these original commitments so that in future reviews, there will be a basis of information upon which to make a decision as to the continued existence of this rare bird in its historic nesting habitat in Francis Marion National Forest. As indicated above, contentions that the Bachman's warbler is extinct are cast in doubt by recent sightings, particularly that of Ripley in Cuba.

IVORY-BILLED WOODPECKER

Senator McCLURE. I understand that the ivory-billed woodpecker is also in this category. Is that correct?

Mr. WALLENSTROM. Yes, sir.

Senator McCLURE. Do you have hard evidence—any hard evidence—that the ivory-billed woodpecker still exists?

Mr. WALLENSTROM. No; we have again the regular rumored sighting that is hard to verify and put your finger on. And we are currently considering that species. We are in the final stages of verifying the fact that there are no more.

We would look at things like the kind of habitat remaining that the species uses and the record of sighting that has taken place. And that is one species of nine others that we have on a list that we're proposing for delisting in the future.

Senator McCLURE. I saw a pileated woodpecker just the other day. And my first glimpse of it, I would have sworn that it had an ivory bill.

Mr. WALLENSTROM. That's the trouble with all of these things.

Senator McCLURE. It fortunately stayed around long enough so I could get a better look at it. And it wasn't. Obviously. I was about to get excited. [Laughter.]

ANIMAL DAMAGE CONTROL PROGRAM

Last year, you will recall that we did not appropriate money in the Interior bill for the Animal Damage Control Program. Instead, the Agriculture Appropriations Subcommittee provided $20 million for the program to be transferred to and administered by the Animal Plant Health Inspection Service in the Department of Agriculture.

Is that transfer complete?

Mr. HORN. Mr. Chairman, the transfer is very nearly complete. I would expect that the two departments will be signing the determination order next week. We have worked out all issues between the two departments to our mutual satisfaction.

The interest to the committee is that there has been an agreement that we will not be transferring any general administration moneys to the Department of Agriculture.

Basically, they will be living with the $19.6 million, as noted by this committee's appropriation measure last year.

We expect to sign the order next week and complete the transfer.

LEAD/STEEL SHOT

Senator McCLURE. I have a number of questions I will submit for the record, with respect to the lead shot, steel shot controversy, but there are a couple that I would like to ask now.

I understand that the International Association of Fish and Wildlife Agencies has agreed to a move to a steel shot program over a 5-year period; is that correct?

Mr. HORN. That is correct, sir.

Senator McClure. Does the Department agree with that?

Mr. Horn. We are presently reviewing that as one of many options. We are completing an environmental impact statement dealing with the particular question of imposing steel shot requirements to fulfill our obligations under the Bald and Golden Eagle Protection Act and Endangered Species Act. In the wake of the international's adoption of their resolution, which calls for a phaseout of lead shot and substitution of nontoxic steel, I think, by 1991, we have included that as one of the options in the environmental impact statement. We expect to be making a decision in the very near future as to how to proceed. This is one option we will be looking at seriously.

Senator McClure. Are you including the option of hot spot bans, or is it going to be a total ban?

Mr. Horn. Well, the hot spot ban has been the approach that the Department has taken in the past. This has been the announced policy. We are now being asked by the international, National Wildlife Federation and many others, to abandon the hot spot concept and adopt a complete phaseout of lead shot.

Senator McClure. You have arrived at no conclusion with respect to those alternatives?

Mr. Horn. Not yet, sir.

CHESAPEAKE BAY RESTORATION

Senator McClure. Last year we had an increase of $500,000 to expand the Chesapeake Bay Restoration Program. What did you do with the increase?

Mr. O'Connor. Mr. Chairman, we have been studying the Chesapeake Bay to identify the contaminants in that area. We have been doing it on a geographical basis, starting with the Choptank River area, principally addressing point and nonpoint source pollution. As you know, most of the pollution is caused by agricultural runoff, a nonpoint source. It is pretty difficult to follow up nonpoint source pollutants. That is what we are doing, sir.

Senator McClure. What potential is there for an additional increase in this program?

Mr. O'Connor. Well, there is lots of work to do, Mr. Chairman. Part of the problem is having qualified people to do it. So we feel we are probably moving about as quickly as we can.

Senator McClure. Could you provide a table for the record showing your work in 1985, 1986, and 1987 programs?

Mr. O'Connor. Yes, sir; we would be pleased to do that.

[The information follows:]

Chesapeake Bay Program

The Chesapeake Bay Clean-up Program is a multiagency effort being coordinated by the Environmental Protection Agency with strong State participation.

The Fish and Wildlife Service is one of the Federal agencies cooperating with the States—other agencies include the Environmental Protection Agency, National Oceanic and Atmospheric Administration, Soil Conservation Service, Corps of Engineers, U.S. Geological Survey, and Department of Defense.

The purpose of the program is to assess impacts of contaminants on bay biota, initiate cleanup, assess trends in fish and wildlife production, provide public education and information transfer, and identify point and nonpoint sources of pollution.

FWS efforts focus on assessing effects of point and nonpoint source contaminants on bay biota (especially submerged aquatic vegetation, waterfowl, anadromous fish, shellfish, and endangered species).

In early 1985 the Service developed an implementation plan for bay activities. Major elements of the plan are designed to: reduce impacts of nonpoint source pollution on the bay; develop programs that reduce or eliminate releases of excess toxic materials; document fish and wildlife trends; and evaluate the potential for hatchery production and stocking to restore self-sustaining populations of striped bass.

The implementation plan is being conducted on a watershed basis. Efforts on nonpoint sources have been concentrated on the Choptank River. Point source pollution studies have emphasized the James, Elk, Chester, and Potomac Rivers.

In addition the Service began in 1985 a pilot program with the State of Maryland to release artificially propagated striped bass in bay tributaries to sustain wild breeding populations.

Funding for the program includes: Fiscal year 1985, $490,000; fiscal year 1986 estimate, $942,000; and fiscal year 1987 request, $984,000.

SAN FRANCISCO BAY

Senator McClure. We also added $600,000 for the selenium problem analysis in the San Francisco Bay.

Is that program continued in 1987?

Mr. O'Connor. Yes, sir.

Senator McClure. At what level?

[A pause.]

Mr. O'Connor. The program is continuing at $180,000, sir.

Senator McClure. $180,000, as contrasted to the $600,000 we added last year?

Mr. O'Connor. The program is continuing at the same level as the committee provided last year.

Senator McClure. I assume that OMB knows you have opinion that that's enough. [Laughter.]

Is that the amount of your request?

Mr. O'Connor. Yes, sir.

KESTERSON RESEARCH FINDINGS

Senator McClure. All right. An article in yesterday's Washington Post claims that the Department is gagging Service employees on the Kesterson Refuge selenium issue.

Mr. Secretary, would you care to comment on that issue?

Mr. Horn. I saw copies of the letter from the professor in question some weeks ago. I wrote notes to the Acting Director, among others, about this gag order nonsense, because as far as I am concerned, there is none. The Department has been working very actively, not only in the Kesterson area but on a widespread basis to identify contaminant problems, in a generic sense, on the refuge system. We have an internal Department task force chaired by myself and the Assistant Secretary for Water and Science to review major irrigation projects throughout the West to identify areas where irrigation drainage problems may exist.

We have been trying to get out in front. We've been very open and public about what we've been finding. I don't know where all these persistent rumors of gag order keep coming from, but from the Assistant Secretary's office, the Secretary's office, and as far as I know, from the Director's office, there is no such creature as a gag order.

Mr. HESTER. Mr. Chairman, we do not have such a gag order. I think the misunderstanding originated relative to one researcher and his findings. I would like to ask Mr. Smith, who heads our Research Program, to explain that.

Mr. SMITH. Essentially, for the last 3 years, there's been a meeting in California where our people have presented data related to this subject. Apparently, at the recent session, our researcher indicated that he wasn't at liberty to release the information that was requested.

Senator MCCLURE. Is that your personnel or a contractor?

RELEASE OF RESEARCH FINDINGS

Mr. SMITH. The researcher is our personnel. When that happened, Dr. Schultz wrote a letter to the lab director, implying that the man had been gagged. The lab director, responsible for the supervision of the individual, responded to the letter, indicating the policy of the organization. The policy is that information is generally reviewed by statisticians, biometricians before release. I think the issue has been blown out of proportion. The information that the individual asked for probably could be released. However, people tend to take preliminary information and utilize it any way they wish. Our people are sensitive to that kind of action.

Since then, the information has been sent to the public. I don't know whether Dr. Schultz has received a copy of the information.

Senator MCCLURE. Who was the man who said he wasn't at liberty to discuss it?

Mr. SMITH. I don't know whether he said that or said he was gagged or what he said, but it was Dr. Harry Olendorf.

Senator MCCLURE. Mr. Blum, that is in your area?

Mr. BLUM. Yes, sir.

Senator MCCLURE. You have filed an affidavit in a court action——

Mr. BLUM. Yes, sir.

Senator MCCLURE [continuing]. Giving information.

Do you know what the facts are about what your employee said?

Mr. BLUM. Mr. Chairman, I know Dr. Harry Olendorf, and I would be willing to bet the region's budget, that he did not indicate that he was gagged. I would be willing to believe that what he had said is that he had not received approval from the lab to release the information. Until he received such approval, he was not at liberty to release it.

My situation, providing the deposition to the court, was substantially different. The Department was in litigation. It was important information that we present to the court. I was authorized to release it through that process. In addition, I released it to the State water resources control board in California for the same type of reason. Subsequent to that, we have released it, as Mr. Smith said, to the public.

I do not happen to have a complete list of everyone that has gotten it. Dr. Schultz may not have received it. We are prepared, if that is the case, to give him the information.

Mr. SMITH. If you wish, I've got a copy of the information in front of me.

Senator MCCLURE. I am more interested in the process at this particular time than I am the results, because, obviously, the information is now pretty well in the public domain. The newspaper account says this, that there is a longstanding policy that requires evaluation by two staff scientists, a biometrician, the immediate supervisor, the Fish and Wildlife Service Editorial Office and the Center Director.

Is that longstanding policy statement correct?

Mr. SMITH. That is the policy. However, it is also a bureaucratic response to a request. It is the policy for final publication. This does not mean that information of that nature cannot be released earlier with qualifications.

Senator MCCLURE. With qualifications, and that is that it is preliminary?

Mr. SMITH. That's right; yes, sir.

Senator MCCLURE. And would you have preferred that that be the manner in which this had been handled?

Mr. SMITH. The responsibility lies with the lab director. I will support his decision. However, I would prefer he handle it some other way.

EFFECTS OF SELENIUM

Senator MCCLURE. Do we know what the potential health effects are if high concentrations of selenium move up the food chain?

Mr. SMITH. We can, through supposition, get preliminary indications. The issue we are discussing here, essentially is related to rodents. Samples of rodents were gathered at Kesterson and control areas, and high levels of selenium were found in the Kesterson rodents. We know that rodents are consumed by predators. We do not know what the effects of selenium at these concentrations are on those species. There is some indication that fairly high levels of selenium in dogs cause some problems.

Senator MCCLURE. Do we know if selenium is moving up the food chain?

Mr. SMITH. We have information at Kesterson, at least as far as I know, related to rodents and shrews. Shrews feed on rodents, and probably we can say selenium has gone at least that far up the food chain.

LABORATORY CAPABILITY

Senator MCCLURE. Are we having trouble keeping up with the need for lab analysis of tissue samples?

Mr. SMITH. Yes, sir.

Senator MCCLURE. What will you do to keep up with the need?

Mr. SMITH. We are doing a number of things. In fact, this week or next week, a new laboratory will be in operation at Patuxent to handle a number of the analyses. The budget, as indicated, has equipment to help alleviate this situation. We have put into effect some management controls as to the number, kinds, and quantities of samples to be submitted for analysis. I don't think you can add more resources, in the form of dollars or manpower, to reach the point where we are able to do all the analysis that people want done. We are putting our analysis in priority. I think we are beyond the difficult period. We are still going to have difficulty over the next year or so.

We are utilizing contract laboratories. This will help to some degree.

Senator McClure. Will the pumping plant, as proposed, help?

Mr. Smith. Sir, I didn't understand the question.

Senator McClure. Will the pumping plant that is proposed, help?

Mr. Smith. I am not familiar with the pumping plant?

Senator McClure. At Kesterson. That's outside the area of your——

Mr. Smith. That's new to me.

Senator McClure. That's not in the lab. That is in the field.

Mr. Blum. I'm sorry, Mr. Chairman, I'm not sure what pumping plant you are speaking of.

Senator McClure. On water exchange.

Mr. Blum. There is a program on the part of the Westlands Irrigation District and environmental defense fund to take a look at the methods and means to remove selenium from the drainwater. The last report I had, which was in March, is that they have high expectations that their process is going to work. The big question is, at what cost? Right now, the cost seems to be beyond that which local irrigation districts can handle. They are continuing to work with their contractors and consultants to see if their methods might bring the cost down to make it more reasonable.

Senator McClure. Thank you.

I think the balance of my questions can be submitted for the record, with response to the record in writing.

CLOSING REMARKS

Senator McClure. Mr. Secretary, I want to thank you and your personnel here for their participation. I particularly want to welcome the regional directors. It is very helpful to us to be able to get input directly from you, not that I distrust headquarters staff, but sometimes it comes through more directly, if you are here. I think also there may be also some benefit to you here hearing directly the discussion, the flavor of the discussion that takes place here in the committee.

PATOCA RIVER WETLANDS

Senator Lugar has asked that I ask a question today. He submitted this question.

"I understand that the Great Lakes region of the U.S. Fish and Wildlife Service had recently surveyed the Patoca River bottoms in Pike, Gibson, and Dubois Counties, IN. Am I correct in my belief that these hardwood bottom wetlands are among the most significant to a variety of wildlife in this region?"

Mr. NELSON. Mr. Chairman, I am familiar with that area. Some of our field staff have been working with the Corps of Engineers and State folks in Indiana assessing the relative values of this large bottom land hardwood area, some 25,000 acres in southwestern Indiana. We believe it is a high-quality area. It is some of the best habitat remaining. I think the statement is correct. We are in the preliminary stages of looking at the potential for that.

Senator McCLURE. You say preliminary stages. How long do you expect it to be before you reach conclusions?

Mr. NELSON. I am not sure I can address any specific time period. The problem is, it is in a flood plain. In connection with the Corps of Engineers, they have had serious problems over the years. One of the proposals is that it might be better to put it in some type of a wildlife management status, State or Federal, to overcome the periodic flooding problems. And it is good habitat.

Senator McCLURE. Thank you very much.

ADDITIONAL COMMITTEE QUESTIONS

I want to thank each and all of you. There will be some additional questions for response in writing for the record from other Members of the committee. They will have until close of business on tomorrow to submit such questions.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Endangered Species Recovery Plans

Question: Why is there a continuing backlog of 100 recovery plans prepared but not approved?

Answer: Within the Endangered Species Program, the emphasis is on the number of species with a recovery plan, not just the number of recovery plans per se. After a U.S. species is listed, the Service's regional offices assign a recovery plan development schedule. These plans may be developed in-house, by recovery team, or by contract. Drafts are prepared and reviewed by appropriate agencies, organizations, and individuals before approval. The first step in this process is the development of a "technical" draft, sent to various species experts for detailed review. Their comments are then incorporated into an "agency" draft, sent to Federal and State agencies, affected Congressional and Governors' offices, and private interests. Again, comments received are evaluated and incorporated into a final draft. Upon approval of the Service's Regional Director or Director, this document becomes the final approved recovery plan. In cases where portions of a plan are controversial in nature, the overall process can be slowed down considerably; however, on the average, the process takes approximately 12 to 18 months. After a species is listed, there will always be a "lag" between development of a plan and its subsequent approval (especially with the current trend toward "ecosystem" protection, i.e., listing several species in one ecosystem at once, with the resulting recovery plan detailing actions to recover all listed species within that ecosystem).

Question: You are proposing to continue recovery planning at the 1986 level of $2,069,000 in 1987. How will you prepare the 40 recovery plans in 1987 for the same amount of money it cost you to prepare 12 in 1986?

Answer: In the President's budget submitted to Congress, the workload factors shown for recovery are the number of species having recovery plans, not the number of plans. As the number of species included in any given plan can vary, the number of plans by itself does not represent the full range of species covered. For FY 1986, we originally projected that approximately 40 listed species would have recovery plans prepared. However, due to funding reductions from P.L. 99-177, the Service expects delays in FY 1986 in the development and approval of recovery plans, resulting in approved plans expected for about 12 species this year. In FY 1987, no such funding reduction is earmarked for this area, and development of recovery plans for 40 species is again anticipated. In some cases, we expect to increase the number of species having recovery plans by having multiple-species plans. This is the present trend which reflects recovery plans being developed on an ecosystem approach with several species being included in one plan. FY 1987 funding reductions included in the President's request (resulting in the similarity to the FY 1986 funding level) are not directed at the recovery planning process.

Question: How much does it cost to prepare a recovery plan? What is the average or the range?

Answer: Recovery plans can be developed by contract, recovery team, or in-house. Currently, most plans for endemic species are done by contract. This is generally a more efficient approach since a specific cost and time schedule can be assigned to a plan. On the average, a contract to develop a recovery plan costs about $1,000. This figure includes the development of a draft document, but does not include printing costs or staff time to review this document. The average price for a recovery plan prepared by a recovery team (usually for a more wide-ranging species) would be about $3,500, while the average cost for one prepared in-house would be about $2,500.

Question: Of the 389 currently listed domestic species, only 223 have approved recovery plans. In 1987, you plan to list or delist 65 additional species and you estimate completing 40 approved recovery plans. How realistic is that estimate?

Answer: In the last five years, the Service has produced 156 recovery plans for an average of 31 plans per year. Recently, with the emphasis on listed species having recovery plans, the recovery plan development procedures have been streamlined to expedite the process, and the Service believes that, beginning in FY 1987, recovery plans for 40 species (the workload detailed in the budget request) will be produced on an annual basis.

Question: When you submitted your 1985 budget, you estimated completing 54 approved recovery plans, for a total of 241 by the end of 1985. However, as of the close of 1985 you only had 223 approved. Why should we assume your estimates are any better this year?

Answer: It is almost impossible to be totally accurate when estimating the number and type of species to be listed, the amount of time required to develop a recovery plan, and the number of plans required (especially when the number of species per plan can vary). Recovery plans vary in their complexity from species to species. In some cases a plan can be prepared under a contract with one individual doing the work, e.g., an endemic species with limited threats. In other cases a plan may be very complex requiring a recovery team for preparation, e.g., a migratory species with a multitude of threats. Recovery team members are volunteers who do not necessarily have full control of their time. It usually takes longer and is more costly to have a recovery team prepare a plan than it is to have a plan done under contract. At the present time the Service is dealing with more endemic species, and more plans are being prepared by contracts than by teams, increasing the Service's control of plan development. This factor should lead to more accuracy in forecasting the future number of species having plans developed.

Alternatives to Listing

Question: Due to the expense of listing, it would seem prudent to consider alternatives to listing, especially in these tight budget times. Some agencies have expressed an interest in entering into "Conservation Agreements" or "Memorandums of Understanding" to control the threats and promote recovery. Some of these agencies also have "sensitive species" management policies designed to arrest and reverse species decline so as to remove the need for listing. Are these options being used by the Fish and Wildlife Service?

Answer: The Service welcomes any efforts to provide for the conservation of species that are awaiting listing, and toward this end attempts to publicize its comprehensive notices of candidate species as widely as possible. Federal agencies are also alerted to the presence of candidate species during consultations under Section 7 of the Act, although the legal prohibitions of Section 7 do not apply to such species. While such opportunities to promote the conservation of species before they are listed do exist, the Service considers it a legally-mandated responsibility to pursue the listing of species that meet the Act's criteria for endangered or threatened, and do not view conservation efforts undertaken for candidate species as an alternative to this identification process.

Question: Why was the Conservation Agreement policy terminated?

Answer: The circumstances under which the Service may pursue development of a Conservation Agreement as an alternative to listing a species are extremely narrow, essentially covering only those species facing a few, well-defined threats which can be entirely controlled by one or very few parties to an agreement. In the four years during which the Service had guidelines in place covering the development of Conservation Agreements, only seven species were identified that fit the narrowly-defined situations applicable for such agreements. Given this, the Service saw little reason to continue developing agreements that were likely to benefit only a small minority of candidate species, particularly as those species were not in the greatest need of attention. The Service remains committed, however, to assisting other agencies, organizations, and individuals in providing voluntary conservation measures for candidate species.

Question: Are there other pre-listing recovery or protection actions that we should pursue in order to save the cost of listing?

Answer: The Service believes that the development and wide dissemination of comprehensive lists of candidate species in the form of the Service's notices of review for plants, invertebrates, and vertebrates have been very effective in alerting Federal and State agencies, private conservation groups, and the public at large to species that are or may be in danger. These notices are being used in developing sensitive species lists and guiding habitat protection programs of the States and private organizations. Continuation and expansion of these efforts are probably the most promising avenues to assuring that candidate species do not decline further before they can be formally listed. As mentioned above, the Service does not view listing and the protection of candidate species as competing activities, but rather as facets of a necessarily long-term identification process. Inasmuch as this identification process is one of the principal goals of the Endangered Species Act, the Service does not view listing as something to be avoided, but rather to be expedited to the extent that is consistent with the need to base actions on the most credible scientific information available.

Delisting

Question: Recovery and delisting is one way to measure success or progress in the Threatened and Endangered Species effort. How many continental U.S. species have been delisted?

Answer: We agree that recovery and delisting are measures of the success or progress of the Endangered Species Program. However, the Program has only been functioning at approximately the current level for slightly more than ten years. Many of the species on the list were already near extinction, have a lengthy maturation period (or generation time), have low fecundity, and/or have extremely limited habitats or behavior that prevent immediate increases to safer levels. For example, the whooping crane has been managed for almost 50 years. In the first decade of management, its numbers continued to decline (minimum number of the Texas/Canada flock was 13 adults and 2 young in 1941) or hold their own. It has only been in the last 20 years that there have been substantial increases, and then not every year. Today, this migratory flock numbers 97 birds. Delisting this species may require up to another 50 years of management.

To date, eight continental U.S. species have been delisted and completely removed from the list since 1973: Tecopa pupfish, longjaw cisco, blue pike, Santa Barbara song sparrow, Sampson's pearly mussel, Mexican duck, Pine Barrens treefrog, and Bahama swallowtail butterfly.

Question: Have they been delisted because they are recovered or extinct?

Answer: None of the above species were delisted because of recovery. The first five were delisted because of extinction, while the latter three were delisted because further studies showed them not to warrant protection under the Endangered Species Act. However, the southeast population of the brown pelican and several States' populations of the American alligator have been delisted as recovered.

Question: Do you have any species that you currently believe should be taken off the list?

Answer: Only two continental U.S. species (an extinct fish, the Amistad gambusia, and the remaining listed portions of the American alligator) are under study now for being proposed for delisting in FY 1986. The Service is conducting status surveys on several other species to see if they, too, may be extinct. The Service is not aware of any other U.S. species that has been recovered to the point that its delisting can be proposed within the next year or two.

Question: What procedure does the Fish and Wildlife Service use to delist an extinct species?

Answer: The rulemaking procedure is the same as in listing the species, except documenting the species' extinction. In most cases, the Service does not know where all the individuals of the species might be, and must wait a sufficient period of time to be assured of its extinction. There are many species today that were thought to be extinct for more than 50 years (some over 100), but were only recently rediscovered.

Question: The listing regulations state that a sufficient period of time must be allowed before delisting to indicate clearly that the species is extinct. What is a "sufficient period"?

Answer: This time period varies considerably from one species to another. Ease of detection is the main problem. For species that are small in size, occupy habitat that is difficult to either locate or penetrate, have behavior that frustrates observation (e.g., nocturnal), or have other features of their biology that also reduce detection probabilities, then the Service must wait for a number of generations of that species to pass before considering it as "extinct". No black-footed ferrets were known to exist for more than eight years. On migration, whooping cranes are detected only five percent of the time. Many plants do not flower every year, or even once in a decade. For some species, 5-10 years would be a base minimum "sufficient period," but for others, at least 20 years may be needed before declaring a species extinct and delisting it. As indicated in the regulations (50 CFR 424.11(d)(1)), the Service may know in some cases where all individuals must reside, and if none can be found by qualified biologists, then the Service can feel more certain about the species' extinction. Examples are the Tecopa pupfish and the Santa Barbara song sparrow, where both species were confined to very small sites (a California spring for the fish, and a small, one-square-mile, island for the bird). Even in these cases, a decade was needed to ensure that both these species were extinct. The Sampson's pearly mussel was declared extinct after more than 50 years had passed since the last living specimen had been found (as river bottoms are difficult to fully survey for clams).

Recovery Plans and Public Comment

Question: It seems to me that there are alternative ways to obtain species recovery. For instance, the use of augmentation or transplantation may be interchangeable, or they may substitute for or complement captive propagation. Should the public be able to comment on these various approaches when the recovery plan is being developed?

Answer: Actions required to recover a species may range from the relatively simple to the very complex. One of the functions of a recovery plan is to identify what actions are appropriate to recover a particular species. In all cases, the Service tries to select the most knowledgeable individual(s) to prepare a recovery plan. Before they are approved, the draft plans undergo significant peer reviews, including a broad spectrum from the private, public, and academic sectors, as part of the draft/final recovery planning development process. Once the plan has been approved, it is made available to whomever may wish to see it. Logistically, it would be very difficult to have greater public involvement in recovery plan preparation than presently occurs (as detailed above).

Recovery plans, by their very nature, are usually general documents which make reference to a variety of approaches for accomplishing a task, with the final document incorporating appropriate input from public reviews of the draft plan. For example, a recovery plan will include tasks such as "Consider the feasibility of augmentation, transplantation, and/or captive propagation". Approved plans are to be reviewed annually, submitted for public review and comment, and updated as appropriate. If a particular plan had omitted a certain approach, or later events indicated advantages of one particular recovery method, there would not be any major problem in correcting this deficiency or substituting a new recommendation during the annual review of the plan.

Question: Certain recovery actions may have a direct effect on other uses of the land and may often be in conflict with those uses. I find it difficult to understand why cheaper, more cost-effective, and less constraining alternatives are not being considered. It seems to me that some of these alternatives would be extremely beneficial in the recovery of a species while minimizing conflicts. But currently these alternatives are not developed, effects are not analyzed, and the public has little or no opportunity to examine or comment on them. Is there a way to rectify this oversight under current regulations?

Answer: A properly prepared recovery plan addresses all the problems or limiting factors (to the degree that they are known) contributing to the listed status of the species. Actions to correct these factors should be identified as specifically as possible. All alternatives should be considered. The process of developing recovery plans was expressly designed to seek extensive comment, review, and input from acknowledged species experts and the interested public, and to include actions which should help to identify all the alternatives to recover a species. The actions typically referenced in a recovery plan specify tasks such as "develop management plans" and "develop cooperative agreements". Recovery plans can be considered "umbrella" planning documents, sequential guidance on what biological steps need to be accomplished to attain recovery of that species. Management plans are more immediate planning documents, stepping down the long-range guidance of one or more of the recovery plan's guidelines into detailed steps to be accomplished in the near-term by the appropriate land managing agency. The Service is always receptive to new approaches to developing the best, most cost-effective recovery plans possible.

Consultation

Question: The 1982 Amendments to the Endangered Species Act made several changes that required new consultation regulations. However, after four years these new regulations have still not been finalized, in fact I understand that they have just recently gone to OMB. Congress is now considering a new reauthorization of the Act, but the Fish and Wildlife Service has not yet fully implemented amendments from the old reauthorization. I find it difficult to understand this situation. Why have these regulations taken four years so far?

Answer: The proposed regulations implementing the 1982 Amendments to the Endangered Species Act were published June 29, 1983, in the Federal Register. There were over 50 sets of comments received from Federal, State, and local agencies; industry; environmental organizations; and private citizens. The majority of these comments were extensive. After they were grouped according to the section of the regulations they pertained to, they were analyzed and a first draft written. Because these are joint regulations between the National Marine Fisheries Service and the Fish and Wildlife Service, this draft was then subject to months of review and rewrites by staff of both agencies. After a staff version was agreed upon, then agency and Departmental review began. Again, there were rewrites until a version was agreed upon.

This version was then distributed to all Interior agencies for review and comment. Concerns expressed during this internal review process resulted in months of further negotiations and rewrites. Once the regulations were signed by both Departments, they were sent to OMB for clearance. Representatives from both Departments met with OMB to discuss the regulations and answer questions. Subsequent to that meeting, OMB sent the regulations to the Assistant Secretary of the Army (Civil Works) for review and comment. Following the Army's review, representatives from both Departments met with Army to discuss their concerns and appropriate changes were made in the regulations. After the Army's concerns were met, OMB sent the regulations to the Environmental Protection Agency. Again, there was a meeting to discuss concerns, and again the appropriate changes were incorporated.

Question: When do you expect to have them done?

Answer: We have just received final clearance from OMB, and the regulations were submitted to the Federal Register on May 7, 1986. Production and proofing of the resulting galleys are estimated to take about two-to-three weeks, with final publication anticipated in early June.

Question: Have you been using the old regulations for Consultation all this time?

Answer: Yes. The Service is presently using a combination of the final regulations published January 4, 1978, and internal guidelines implementing the 1982 Amendments. Because the Amendments changed the consultation process, implementing these amendments could not be postponed.

ADC Transfer Status

Question: Last year, you will recall that we did not appropriate money in the Interior bill for the Animal Damage Control program. Instead, the Agriculture subcommittee appropriation provided $20 million for the program to be transferred to and administered by the Animal and Plant Health Inspection Service, in the Department of Agriculture. What is the status?

Answer: The transfer of personnel, functional activities, and resources is complete and the Determination Order has been signed by the Director, OMB.

There are still some formal steps to be accomplished, such as the execution of a Memorandum of Understanding and final agreement for reimbursement of funds expended by the Service.

Question: If I understand it correctly, the Fish and Wildlife Service administered the program for about half the year and expects reimbursement from the Agriculture Department. Has that reimbursement occurred yet?

Answer: No. Obligations were incurred by Fish and Wildlife Service until April 1. The Department of Agriculture will conduct an audit of our expenditures once the bulk of the disbursements have been made. We expect the audit to occur in the next couple of months with reimbursement shortly thereafter.

Question: Do you anticipate a problem with the amount of the reimbursement?

Answer: The Service and USDA have had several meetings and maintained an excellent working relationship throughout the transitional period. Therefore, we do not anticipate any problems with the amount of reimbursements.

Question: Has the Service agreed to accept less than actual reimbursement?

Answer: Because of the good working relationship that has been established, the Service believes that a mutual understanding can be achieved. However, we have not agreed to accept less than actual reimbursement for expenses.

Lead Shot/Steel Shot

Question: Last year, we provided $600,000 to determine if there are any acceptable alternatives to lead shot that need testing. We also suggested that the Service cooperate with ammunition manufacturers, if appropriate, to conduct this research. I understand that you have done a lot of preliminary planning and are considering proposing an alternative use of the money. Is there an alternative shot that should be tested?

Answer: In order to qualify as an acceptable alternative to steel, a candidate shot would have to satisfy both toxicity and ballistics criteria and be economically feasible to manufacture and market. Although many candidate shot varieties were subjected to testing by the Service and ammunition manufacturers in the last decade, none has yet surfaced that appears to be a viable alternative to steel. Our preliminary survey of ammunition manufacturers confirmed our belief that very little continuing research on alternative candidate shot was underway. Although we are aware of the existence of potential candidate shot that has not undergone extensive testing, we do not believe that there are any available today that are likely to be economically feasible to manufacture and market or that would qualify if tested against toxicity and ballistics criteria.

Question: What does it cost to test an alternative shot on toxic, ballistics and economic grounds?

Answer: Of the three types of testing, the Service is best equipped to evaluate the costs associated with the assessment of toxicity characteristics of candidate shot. We published a proposed rule in the Federal Register in July 1985, which described in detail the series of tests that the Service would require to evaluate the toxicity characteristics of candidate shot. Comments received in response to the proposed rule were incorporated into a final rule, which will soon be published. We have estimated that completion of all the sequential toxicity tests for a single candidate shot would cost approximately $275,000. The high cost is due to the large number of birds which must be cared for and the extensive chemical and physiological analyses required.

The Service does not have a final set of ballistics testing procedures for candidate shot. However, based upon comments received in response to the proposed rule for toxicity testing, we have prepared draft criteria for ballistics testing which will soon be published for public comment in the Federal Register. We estimate that the complete ballistic testing procedure, as proposed, would cost between $20-30,000 per candidate shot. A prediction of the cost of economic evaluation of candidate shot is even more problematic given the wide range of factors that must be taken into consideration (raw materials, processing, manufacturing, tooling, packaging, marketing, distribution, hunter-use patterns, nontoxic shot regulations, etc.). A rough estimation of a complete evaluation of the costs of producing a single candidate shot would be $50-75,000.

Question: Should we initiate a major program of basic research on alternatives, such as composites?

Answer: We encourage industry and others to continue the search for a shot variety that improves upon steel, but do not feel it should be the responsibility of the Service to fund developmental research, particularly in the current budgetary climate. The Battelle Memorial Institute, under contract to the Wildlife Legislative Fund of America and the National Rifle Association, will soon complete a review of the status of nontoxic shot research. We have been told by Battelle that the report of this study will recommend an expanded program of basic research to develop new varieties of candidate shot likely to satisfy all testing criteria. Although we have not yet reviewed their report, our knowledge of the situation and our recent discussions with ammunition manufacturers lead us to concur with the assessment that extensive developmental research would be necessary to replace steel as the desired nontoxic shot. However, we have always maintained that steel is an acceptable alternative to lead shot.

Question: Last year, the Service proposed a definitive crippling loss study. Should that be done this year, instead of research on alternative shot?

Answer: There are several alternative uses of the nontoxic shot research funds that would increase our overall understanding and public awareness of the lead/steel shot issue. Among these are (1) expanded research on the toxic effects of lead shot, and (2) expanded research on patterns of lead exposure in migratory waterfowl. We anticipate that the results of each of these research thrusts would strengthen the argument in support of gradual conversion to steel shot for all waterfowl hunting. As we plan to continue in this direction, with or without the initiation of these expanded studies, we feel it would be prudent to redirect the funds into other research designed to identify and address the various factors responsible for the continuing decline of waterfowl populations nationwide.

Question: We notice that the courts have been particularly active on the lead shot issue. We now have about 130 counties proposed for steel shot for the 1986-1987 hunting season. If the States do not agree to steel shot in those counties, will the Service close those areas to any hunting? Why?

Answer: There were actually about 183 counties proposed as steel shot zones in 1986-87 that had not been included in previous years. Added to the approximately 478 counties that were already zones, the total is about 661 counties. Many of these counties are only partially in zones, e.g., a particular wildlife management area or refuge in a county might be the only part of the county where steel shot is required. The Stevens amendment to the Interior Department Appropriations Bill requires that the Service obtain State approval before implementing and enforcing nontoxic shot zones. However, this does not change the Service's management responsibilities under the Endangered Species Act, the Migratory Bird Treaty Act, or the Bald and Golden Eagle Protection Act. Last year's court ruling reaffirmed the Service's responsibility, despite the Congressional intent of the Steven's amendment, to require nontoxic shot in areas where a known or potential problem of bald eagle ingestion of lead shot exists. Consequently, if a State cannot or will not approve the zones proposed within its boundaries, and offers no biological justification for its actions, the Service cannot open the waterfowl hunting season in the zones under consideration.

Question: We have received a lot of complaints lately on this issue. State people are saying that they are being offered a choice: steel shot or no season. Is that right?

Answer: States have another option with respect to zones proposed for bald eagle protection. The Service is willing to modify its proposed zones, if States can provide appropriate biological evidence that indicates bald eagles would not be likely to eat waterfowl containing lead shot in their tissues. The modifications could entail either deletion of a proposed county entirely or reduction of the zone boundaries within it.

Question: How many of the 180 counties are proposed for steel shot on the basis of the bald eagle issue and court ruling?

Answer: One hundred seventy-three counties were proposed as nontoxic shot zones on the basis of the Service's criteria for protecting bald eagles from lead poisoning. Ninety-six of these were proposed only because they met the eagle criteria. Sixty-four met the eagle criteria but were also already in existing (1985-86) zones. Eight met the eagle criteria but were also proposed by the States, independent of the Service's proposal. Five met the eagle criteria but were also proposed because refuge monitoring studies indicated significant lead poisoning problems in waterfowl.

Question: How many counties are proposed for steel shot on the basis of the Service's "hot spot" monitoring program?

Answer: We assume "hot spot" monitoring program refers to refuge monitoring studies that used lead shot ingestion rates, waterfowl mortality, and waterfowl tissue analyses to confirm the existence of a significant waterfowl poisoning problem from lead shot. Using these criteria, nontoxic shot zones were proposed for 12 national wildlife refuges in 18 counties of 6 States. Five of the 18 counties also met the Service's bald eagle criteria.

Question: What do the ammo makers say about moving to steel shot over a few years?

Answer: In light of the National Wildlife Federation's current lawsuit on the lead shot issue, ammunition manufacturers were asked when they could accommodate a nationwide conversion to steel shot. Their responses were:

Winchester	1988-89
Remington	1989-90
Federal Cartridge	1991-92

Question: Will costs come down over time?

Answer: Costs associated with distribution and inventory of lead and steel shot are likely to be reduced after initial conversion to steel shot. The ammunition manufacturers have indicated that a phased-in conversion would be much less costly than a rapid conversion, and that costs would decrease with adequate lead time for production and distribution of steel shot.

Habitat Resources/Contaminants

Question: You are proposing an increase of $280,000 (+.3%) in pre-development consultation activities (p.34, 35). However, I still can't tell what you will do with the increase. No additional personnel are provided and the requested amount is above the 1987 base amount. What will this increase do?

Answer: This increase in funding for pre-development consultation would allow the Service to place more emphasis on early planning and technical assistance rather than reacting to development proposals later in the planning or implementation phases. The Service has found, through years of experience in evaluating natural resource development proposals, that interaction with planners and development interests during early phases, while a number of alternatives are being considered, yields significantly greater benefits for fish and wildlife resources. Pre-development consultation efforts allow the Service to function in a proactive rather than a reactive mode. The results include a greater opportunity to influence natural resource development planning, generally improve working relationships with developers, provide more environmentally sound projects and yield major benefits to fish and wildlife resources.

As pointed out in your question, no additional personnel are requested. The increased pre-development consultation effort represented by the requested funding would be staffed by existing personnel and through contract agreements with universities for coop students and would represent a re-prioritization from tasks with lower fish and wildlife resource payoffs. In the long term, pre-development consultation efforts are expected to reduce controversy in the permit and project review stage.

Irrigation Drainage Study

Question: The Secretary has initiated an irrigation drainage study in the Western States. What has the Service's involvement been to date?

Answer: The Service is represented on the Department's Irrigation Drainage Task Group and has participated in the Task Group since its creation in September 1985. Service scientists contributed to the Task Group's report evaluating selenium levels at 23 sites that were reported in the Sacramento Bee article in December 1985 and in the development of the list of 19 irrigation drainage sites requiring further investigation. The Service's Resource Contaminant Assessment specialists participated on the local teams that developed the protocol for the individual studies and that will carry out the field investigations.

Question: What is expected in 1987?

Answer: Studies at the nine higher priority irrigation drainage sites will be initiated in FY 1986. These nine studies will continue into FY 1987.

Question: Where is the Service getting its funding to participate?

Answer: This inter-bureau program is funded jointly by WBR, WGS, BLM, FWS, and BIA in FY 1986 and FY 1987. Funding for the Service's share is coming from reprioritizing existing funding.

Question: Is the FY 1987 program funded or is it to be absorbed from other activities?

Answer: Funding for the 1987 program, like 1986 program, will be absorbed from other activities.

Question: What activities?

Answer: Money set up for laboratory analysis dealing with "Hot Spot", point and non-point source pollution, contaminants on and off Service lands, and other field studies will be used in the irrigation drainage studies. Laboratory analysis is a large part of the irrigation drainage studies. A committee has been established within the Service to better prioritize analytical capability based upon the urgency of analysis for high priority contaminant work. Use of the analysis capability will shift from one area (e.g., field assessment studies, Superfund site monitoring, refuge studies) to another (irrigation drainage).

Question: Is the focus of the task group on surface waters?

Answer: Not exclusively. If a potential threat to ground water quality is identified the Department will investigate that potential threat as part of the overall study at a site. Of course, surface water aspects will be a major focus of each study.

Question: Will one aspect be how to clean up irrigation return flows?

Answer: Treatment technologies are being studied now as part of the San Joaquin Valley Drainage Program activities. However, other approaches to addressing irrigation drainage quality problems are also under consideration - for example, disposal of return flows by deep well injection or by reducing the quantity of return flows by improving on-farm management practices. A variety of approaches are being considered to assure that technically feasible and cost effective solutions can be identified.

Question: Will the program look at contaminants other than selenium?

Answer: The proposed studies will examine a range of potential contaminants, including selenium, other trace elements, and where appropriate, pesticides and polycyclic aromatic hydrocarbons.

Question: Will the study look at groundwater?

Answer: Yes, if there is reason to believe that groundwater may be impacted.

Question: Shouldn't the Service and the U.S. Geological Survey also be pushing ahead on a groundwater program? You know, we may not want to know some of these problems because it will only increase conflict, but we need to continue to address these problems, much as Secretary Hodel has already taken the lead.

Answer: All Interior Department Bureaus with technical expertise or a mission interest in water quality are working closely together including the Fish and Wildlife Service, U.S. Geological Survey, Bureau of Reclamation, Bureau of Mines and Office of Surface Mining. The Service, USGS and other bureaus are working closely together on the irrigation drainage problem. USGS has an extensive ground water data collection, investigation and research program already in place. In addition, the Service is providing leadership in planning the biological aspects for the pilot National Water Quality Assessment Program which addresses both surface and ground water concerns.

Acid Rain

Question: We funded a demonstration program a few years ago to demonstrate the effects of lime on acidified lakes and streams. Did we complete the project?

Answer: The project has not been completed. The Service began the cooperative Acid Precipitation Mitigation Program (APMP) with five States in FY 1985. The purpose of the APMP is to determine the effects of liming on acidified surface waters. The project will continue until FY 1990.

Question: What were the results?

Answer: No results are yet available as the program was not initiated until FY 1985. The States are now collecting pre-treatment data, evaluating different liming techniques, and other field studies needed to document the magnitude and duration of change following treatment. Data collection will continue until 1990.

Question: What was the State's role in the demonstration?

Answer: The States are playing an important role in the APMP as funding for the program comes from both State (15%) and Federal (85%) sources. The States have the responsibility for carrying out the APMP field studies. The Service is providing data management and analysis, support research and technical assistance.

Question: Will the Service continue an acid rain program in 1987?

Answer: The Service's acid rain program will continue in FY 1987 with the five year APMP studies being conducted by the States with funds that were provided in FY 1985. The Service has budgeted $432,000 in FY 1987 to continue support of the APMP, providing data management and analysis as well as support research. We have also budgeted approximately $500,000 to continue our research into the biological effects of acid rain.

Question: If the Administration is committed to a $5 billion acid rain program including such activities as research on clean coal technologies as funded by this subcommittee last year, why shouldn't the Service's role be continued?

Answer: We concur that the Service's role in the Nation's acid rain program should be continued. We plan to continue our involvement through biological effects research and the APMP.

Crab Orchard National Wildlife Refuge

Question: What is the status of the cleanup work at the Crab Orchard NWR, funded by this subcommittee for the $1 million in fiscal 1985?

Answer: A Remedial Investigation/Feasibility Study is currently underway that will provide recommendations to resolve the problems identified at Crab Orchard NWR. This effort, which commenced in July 1985 and is scheduled for completion by December 1987, is being partially funded by Sangamo Weston, Inc. Sangamo was an industrial tenant on the refuge during the period in which significant hazardous waste dumping occurred.

Bear Lake NWR

Question: Is the Bear Lake NWR, in Idaho, on the list of sites to be analyzed?

Answer: Yes, Bear Lake NWR is listed in the report, "Preliminary Survey of Contaminant Issues of Concern on National Wildlife Refuges " as a Category C site. The refuge lies between Bear River and Bear Lake. Water is exchanged between the river and lake via refuge marshes and canals. Both refuge marshes and Bear Lake are suspected of being impacted by sediment and nutrient inflow. The source of these contaminants is agricultural and municipal runoff from areas of Utah, Idaho, and Wyoming.

The effects on refuge marshes are currently the subject of a comprehensive study concerning deposition of sediments and utilization of nutrients at specific sites in refuge canals and marshes.

Question: When will those results be in?

Answer: Results of the eutrophication study will be available in 1987. Also, the Service is developing action plans to address response strategies for each contaminant issue included in the report.

Question: What is the status of the eutrophication study we funded there two years ago?

Answer: The Fish and Wildlife Service contracted with the University of Idaho, Moscow, Idaho, on August 15, 1984, to conduct the eutrophication study. A detailed study plan was developed and quarterly reports are being submitted as scheduled. The sampling program planned for FY 1986 will be similar to that conducted in FY 1985 with the final results available in 1987.

Wildlife Resources/Refuge Operations and Maintenance

Question: The budget estimate proposes an increase of $1,646,000 for new refuge operations and $730,000 to increase staffing and services at existing refuges. These increases are more than offset by reductions of $9,489,000 for refuge maintenance and $142,000 for refuge water rights. Further, FTEs are proposed for a reduction of 50 (-12%). What was the Service's request for maintenance funding.

Answer: The Service initially requested $32,912,000 for refuge maintenance funding.

Question: The Department's request?

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Answer: The Department's request was consistent with the Service's request, $32,912,000.

Question: Also, what were the FTE proposals?

Answer: The Service initially requested 454 FTEs for refuge maintenance activities and the Department's request was again consistent, at 454 FTEs.

Accelerated Refuge Maintenance Management

Question: I think it is appropriate to say that this subcommittee fought to get an accelerated refuge maintenance program and we would hate to see that program terminated or substantially reduced prematurely. What is the basis for the reduced maintenance request?

Answer: In keeping with the overall intent to reduce the national deficit, the budget contains funding requests for the highest priority maintenance projects which include projects necessary to protect the capital investment of the National Wildlife Refuge System as well as health and safety related maintenance projects. Lower priority maintenance projects have been deferred.

Question: How large is the ARMM (Accelerated Refuge Maintenance and Management) program in 1986?

Answer: The Accelerated Refuge Maintenance Management (ARMM) program received funding of $17,822,000 in FY 1986.

Question: We have spent less than $50 million since the ARMM program was initiated. The Service is now proposing that we cut the ARMM program more than 50% -- from $18.3 million to $8.8 million. When we started the ARMM program, what were the estimates of need?

Answer: In FY 1984, the first year of ARMM, the estimate of need was based on 2-1/2% to 3% of the $1.9 billion value of the capital assets of the National Wildlife Refuge System. The estimated annual maintenance need was $56 million. However, this method may not be an accurate estimate of actual need.

Question: Did we anticipate a 5-year program?

Answer: The ARMM program was to have received funding from FY 1984 until FY 1988. The program is continued in FY 1987 at a level responsive to highest priority needs.

Question: What is the current maintenance backlog?

Answer: A Servicewide maintenance inventory was initiated by the Service's Office of Maintenance Management in FY 1986. The maintenance inventory of all property is scheduled to be completed in FY 1988. At that time it will be possible to accurately determine the maintenance need of the National Wildlife Refuge System.

Question: Why is there a difference between the maintenance backlog and the ARMM proposal?

Answer: The appropriation level during a single year was never meant to resolve the maintenance backlog of the National Wildlife Refuge System. The FY 1987 budget reflects maintenance needs for serious and pressing maintenance problems. Maintenance needs of a lower priority have been deferred.

Refuge Visitation

Question: What are the trends in refuge visitation -- are they increasing or decreasing?

Answer: The trend for public use visitation on refuges has been very stable.

TOTAL VISITS TO REFUGES

FY 1982	FY 1983	FY 1984	FY 1985
23,879,000	21,751,000	22,459,000	23,960,000

Question: We provided an increased number of FTEs in 1986 for refuge operations and maintenance. Were those FTEs added?

Answer: The National Wildlife Refuge System has 2,105 FTEs in FY 1986, an increase of 130 FTEs above the level utilized in FY 1985.

Question: Why not?

Answer: The Service believes it has complied with Congress' intent, and that this level of increase is in balance with available funds and is at an appropriate level to permit the Service to continue to address high priority operations and maintenance needs on refuges.

Refuge Operations and Maintenance Funding Increase

Question: I want to state my disagreement with one aspect of your refuge funding proposal in 1987. You are requesting an increase of $1,646,000 for new and expanded refuges and $730,000 for operating funds on existing refuges. You contend that funds have not been provided for these activities. I don't want to dwell on this topic, so I hope you will agree that the justifications (p. 80-83) are essentially wrong. Congress added over $4 million last year for refuge operation and maintenance activities, including the ARMM program. It simply is not accurate to say that we have not funded new and expanded refuges, is it?

Answer: Congress did appropriate additional funds for refuge operations, including new and expanded refuges, in FY 1986. Much to the Service's regret, the justification language, which was drafted prior to the FY 1986 appropriation, was not rewrittten accordingly.

Arctic Goose Education Program

Question: Why are you reducing the Arctic Goose education program (-$298,000, p. 86)?

Answer: The funding was used to provide teacher training, develop materials for teaching and to develop a comprehensive semi-technical goose information guide. These were one-time funding needs and the funds are no longer needed for this purpose.

Question: Is it complete or is there a continuing need for activities of this kind?

Answer: The Service is continuing this program using the 10 local bilingual natives to act as liaison between the refuge and the 52 villages. Funding is provided through the Yukon Delta NWR O&M funding.

Fire Suppression Costs

Question: Did the Service incur fire suppression costs in 1985?

Answer: In 1985 the Service experienced 461 wildfires (including Alaska) involving 587,000 acres. A total expenditure of $2,328,853 was obligated in emergency fire presuppression and suppression nationwide.

Question: Have you had those firefighting costs reimbursed?

Answer: All of the emergency fire expenditures were covered through savings in other resource management accounts.

Question: Did you request a supplemental?

Answer: No supplemental request was made because savings realized in other accounts were adequate to cover these expenditures.

Water Rights

Question: We have restored funding each year for 4 years for refuge water rights. Why did you propose to eliminate them again this year?

Answer: The Service's proposed base program is adequate to protect refuge water rights by funding on-going water usage monitoring and by adding new monitoring stations when needed. This level of funding will allow the Service to keep pace with the slow moving adjudication process over which the Service has no control.

Question: Mr. Horn, you will recall our conversation on this very point at our Park Service hearing. Is the Fish and Wildlife Service abusing these water rights funds? Don't they need them to determine management needs?

Answer: No, the Fish and Wildlife Service is not abusing these water rights funds. The water rights on each refuge are an extremely important management concern essential for attaining waterfowl maintenance, waterfowl production, and other migratory bird goals. However, the Service has historically acquired water rights with land purchases and appropriated additional water pursuant to State law when needed. The concern for refuge water rights is not in establishing water rights, but in monitoring and quantifying water usage to ensure compliance, measure benefits produced, and defend existing water rights as the need arises.

Whooping Cranes at Bosque Del Apache NWR

Question: Do we have a problem at Bosque Del Apache regarding the impact of refuge hunting on the safety of the whooping crane?

Answer: Due to the precautions initiated to protect the whooping cranes at Bosque Del Apache NWR, there is minimal hazard posed by the hunt.

Question: What are you doing there to protect the whoopers?

Answer: The safety precautions taken to protect the cranes are listed below.

1. The refuge's snow goose hunt has been compressed into one 16-day block and moved toward the end of the season when whooping cranes usually are not on the refuge.

2. The goose hunting area includes Bosque Del Apache NWR units 1 and 6 on the north end of the refuge only if it is evident that whooping cranes have left the refuge or that they are no longer using these units.

3. The Service continued all previous safeguards including:

   a. Training Program - a requirement that all hunters participate in this 6 hour training once every two years and pass the identification test.

   b. Observers - a system of strategically positioned people to observe whooping crane movements during the hunt.

   c. Hunter Alert System - an electronic communication system to inform the hunters about the locations of the whooping crane.

4. A procedure has been established for the regional director to review the Bosque Del Apache NWR hunt for compatibility on the day prior to the hunt. The regional director, in consultation with the Director of the New Mexico Game and Fish Department, may exercise his option not to open the hunt if he determines that the risk to whooping cranes is unacceptable.

Kenai Public Use Facilities

Question: Last year, we funded the rehabilitation of public use facilities at Kenai NWR. You are proposing to eliminate that funding in 1987 but, as best as I can tell, have made no provision for operation or maintenance in the budget. Why not?

Answer: The $378,000 has accomplished the tasks for which it was appropriated. Other rehabilitation is of lower priority and can be deferred. Operation and maintenance is adequately provided for in the refuge budget.

Question: Surely you will need some funding?

Answer: Kenai NWR has a total of $1,203,000 for operations and maintenance funding in the FY 1987 budget. An estimated $100,000 of this amount and four FTE's are devoted to operation and maintenance of visitor facilities.

Forensics Lab

Question: What is the status of the forensics lab project?

Answer: To date, the Service has evaluated eight geographic sites as potential locations for the establishment of the National Fish and Wildlife Forensics Laboratory. The Service has narrowed its choice to either its Patuxent (MD) Wildlife Research Center, or the campus of Southern Oregon State College (outside Medford). In both instances, new construction would be required, since facilities do not exist in Oregon, and renovation at Patuxent would be prohibitive in cost (primarily due to structural problems and the presence of asbestos). At a meeting with Congressional staff on April 29, 1986, the Service presented in detail its actions to date, and laid out the decisions yet to be made. As a result of that meeting, the Service has further examined these sites (including funding needs and arrangements, timeframes involved, etc.), and this report has just been submitted to the Congressional staff for review, prior to further discussions.

Question: As you know, I have had an interest in the location of that lab. Because of a proposal to move the eagle feather repository from Pocatello to Los Angeles, I have asked you to see if there is a good location for the forensics lab in Idaho. I have also made it clear, I hope, that if there are better sites, I would not object to locating the lab at one of those sites. Are there better sites?

Answer: The Service has reviewed eight separate sites (Ft. Collins, CO; Long Island, NY; Laguna Niguel, CA; Boise, Coeur d'Alene, and Pocatello, ID; Patuxent, MD; and Ashland, OR) as potential locations for the lab. Major factors examined for each site included availability of existing facilities (for purchase or leasing) vs. new construction; proximity to airports; availability of supporting academic, reference, and forensic resources; costs of operation and housing; and time before becoming operational. As a result of this review, the Service has narrowed its choices to the latter two sites.

Question: What is the Service proposing to do in 1986?

Answer: At the present time, the Service is considering two options for use of the FY 1986 funds ($1,046,000) appropriated for establishing a forensics lab: 1) using the FY 1986 funds to support an engineering study for the planning and design of a lab at Patuxent, and to procure and store all lab supplies and equipment, but delaying construction at Patuxent pending approval of the necessary funding (construction costs estimated at $1.65 million); or 2) accepting an offer from Oregon to provide the necessary infrastructure (roads, water, sewer, etc.), with the Service having the lab built on campus acreage donated by the college. In either case, it appears that lab operations could not start until the end of FY 1987 at the earliest. As indicated above, a decision is expected within the next few weeks (following discussion of the report just submitted to Congressional staff) as to the selected site for the lab, and this decision will influence the utilization of these FY 1986 funds.

Waterfowl Production/Habitat Management

Question: You are proposing an increase of $2,000,000 for waterfowl production and habitat management studies in 1987 (p. 99). This is in response to the lowest breeding populations ever recorded in the 31 years of waterfowl surveys. Last year, the Service both reduced bag limits and restricted season lengths. Do you anticipate more of the same this year?

Answer: We do not yet know the effect of the restrictive duck regulations established in 1985. The Service is awaiting results of the waterfowl breeding population and harvest surveys before considering hunting regulations for 1986-87; these results should be available in mid- to late-July. Water conditions are better now in the Dakotas than was the case a year ago, but elsewhere on the prairies water conditions show little improvement from 1985.

Question: Is hunting pressure the suspect in the low waterfowl populations?

Answer: The prime cause is long-term drought and deterioration of breeding habitat. With reduced duck populations there is concern that excessive hunting pressure may contribute to reduced breeding populations and therefore slow the recovery rate when habitat conditions do improve.

Question: One aspect of your $2 million increase is $200,000 for an extension effort for farm wildlife habitat. What relationship does the FWS initiative have to the Extension Service's budget request? To the waterbank program?

Answer: The Fish and Wildlife Service's request is aimed primarily at benefitting waterfowl, whereas the Extension Service's request may secondarily benefit waterfowl, but appears to primarily benefit farmers in crop and livestock production. We believe the two requests are complementary. One possible relationship between the Service's proposal and the waterbank program is that the Service could lease management rights to lands in the waterbank program.

Question: Another $700,000 is to increase waterfowl production on and off refuge lands. What is the potential for increasing production on refuge lands? At which locations and for what cost?

Answer: Certain management techniques have been proven to increase production, such as erecting artificial nest structures and planting dense nesting cover, in localized situations (such as a particular refuge). However, the potential cumulative impact of various management strategies, plus, the impact of limiting factors (such as predation) has yet to be ascertained, thus, the potential on a large scale cannot be assessed. The Small Unit Management project, part of the Service's proposed $3,051,000 Research and Development proposal, will begin to answer this question.

Western Hemisphere Convention

Question: The increase for waterfowl management activities is offset by a decrease of $109,000 (-20%) for the Western Hemisphere Convention program. This represented an increase provided to expand ongoing activities dealing with migratory birds management in the western hemisphere. Why isn't that initiative as important as your other migratory waterfowl proposals?

Answer: The Service proposes elimination of the $109,000 add-on in FY 1987, but the core program will not be adversely affected. The Service will additionally increase its efforts on permit procedures for listed species and will address problems with traded species.

The decline of migratory waterfowl is most serious in North American populations. The Service has proposed initiatives to address these issues in other parts of the budget. Present and past efforts under the Western Convention have helped to build the base of expertise and knowledge in Latin America. The amount of protected land in Latin America, which started from a small base, has increased ten-fold in the last decade. Regional management efforts are increasing and improving.

Significant increases in the involvement of non-governmental institutions in the Latin American Conservation effort have occurred in recent years. This reduces the need for such involvement by the FWS. Additionally, FWS efforts regionally are bolstered by annual contributions ($30,000), primarily by the World Wildlife Fund and Ducks Unlimited, for workshops in the region conducted by the Service.

The Service believes, the base program is balanced and responsive to natural resource needs in the hemisphere.

Southeastern Cooperative Wildlife Disease Study

Question: One of your wildlife research proposals is to eliminate the Southeastern Cooperative Wildlife Disease Study, for a savings of $225,000. What is the total funding available to the cooperative study program?

Answer: Non-Service funding for the Southeastern Cooperative Wildlife Disease Study (SCWDS) is derived from two major sources, the U.S. Department of Agriculture (USDA) and cooperating States. Our information suggests that the USDA contract in FY 1986 is approximately $300,000. Thirteen states contribute $7,000 each per year as well, for a total of $91,000. We are uncertain to what extent the SCWDS is dependent on other sources of funds. It is likely that their affiliation with the University of Georgia results in some non-reimbursable support, such as facilities and veterinary school services. Individual States may contribute additional funds when SCWDS support is needed for extended periods.

Question: Does the study assist the Service in disease outbreaks?

Answer: The SCWDS has assisted the Service in the past, particularly on refuges within the Service's Southeastern Region, Region 4. For example, SCWDS has conducted diagnostic work on resident deer populations on some refuges, providing information of use in the management of this resource. SCWDS has also collaborated with the Service on some disease outbreak investigations involving migratory waterfowl. However, since the Service's National Wildlife Health Laboratory in Madison, Wisconsin will be fully equipped and staffed by the summer of 1986 to respond as needed to disease outbreaks involving wildlife species under Service jurisdiction, States and agricultural agencies should provide the financial support to the SCWDS.

Question: This activity received a $25,000 congressional increase in 1986, the first increase in almost 20 years. Is that why it is targeted for elimination?

Answer: The proposal to eliminate Service funding for SCWDS is justified because the emphasis of SCWDS research and diagnostic support is on resident species and habitats outside Service jurisdiction. The proposal is not the result of the FY 1986 funding increase.

Question: Did the SCWDS receive the additional $25,000 appropriated in FY 1986?

Answer: The Service has renewed its contract with the SCWDS at the FY 1985 level of funding. The additional $25,000 is in the process of being allocated to the Service's Southeast Region for distribution to the SCWDS.

Alaska Sea Otter Research

Question: Other high priority projects are proposed for elimination including the polar bear populations study ($-297,000); walrus research (-$199,000); and the steel shot alternative research program (-$596,000). Is sea otter research also being reduced?

Answer: As indicated in the Fish and Wildlife Service Budget Justifications (page 105), following reintroduction into historic habitat in California, research will be initiated to monitor sea otter movements and other responses.

Question: Is it being shifted from Alaska to California?

Answer: Yes. Research funding for Alaska sea otters in FY 1986 is $350,600. In FY 1987, $297,000 will be shifted from Alaska sea otter research to California sea otter research. This shift is necessary to support the translocation of California sea otters to San Nicolas Island.

Question: Where is the area of greater conflict?

Answer: The conflict in Alaska is over shellfisheries and the non-endangered population of sea otters. The conflict in California is between the endangered population of sea otters and shellfisheries and offshore oil development, thus the California area is of greater concern.

Fishery Programs

Hatchery Operations and Maintenance

Question: I had hoped for another year without a hatchery closure proposal. I guess it was not to be. You are proposing to close 6 national fish hatcheries and one field station. Do any of the facilities that are proposed for closure produce fish that are high priority Federal responsibilities?

Answer: The bulk of the fish production at the six hatcheries proposed for transfer or closure is for lower priority purposes, but some production is for higher-priority Federal responsibilities.

Question: Which ones?

Answer: All of these facilities produce some fish for high priority Federal responsibilities.

Question: What ability do you have to increase production for Federal responsibilities at other Federal Hatcheries?

Answer: If fish production for lower-priority, non-Federal purposes can be eliminated at all hatcheries, this would free-up production capability at a number of hatcheries that will be retained. In this case, we believe that all or most of the high priority production at those hatcheries proposed for closure could be absorbed at retained hatcheries.

Question: According to your justification (p. 122, 123), the Meridian, Mississippi, National Fish Hatchery will be used to produce additional fish (such as striped bass) needed to offset lost production if the following hatcheries are closed, as proposed: Carbon Hill NFH, Alabama; Warm Springs NFH, Georgia; Frankfort NFH, Kentucky; Natchitoches NFH, Louisiana; Private John Allen NFH, Mississippi. Just how much additional capacity is available at Meridian NFH?

Answer: In 1985, approximately 82% of the production at Meridian NFH was for private or State managed waters. Assuming that this production is terminated as proposed in the budget, a major portion of the production capability at Meridian would be available to absorb high priority production from those hatcheries proposed for transfer or closure.

Question: The justification says that ten hatcheries produce fish for stocking private waters, yet only 6 hatcheries are proposed for closure or transfer. Which four are not closing?

Answer: The hatcheries that produced fish in 1985 for stocking private waters that would be retained in Service operation are Welaka NFH, Florida; McKinney Lake NFH, North Carolina; Millen NFH, Georgia; and Meridian NFH, Mississippi.

Question: Why can't all 10 have their production changed to higher priorities, if appropriate?

Answer: Not all of the hatcheries have equal potential for addressing Federal production needs. As discussed in the FY 1986 budget justifications, the Service had intended, in close cooperation with the States, to gradually phase out stocking of private waters and other low Federal priority production and redirect this capability toward explicit Federal responsibilities such as restoration of major interjurisdiction anadromous and estuarine resources. As this phase-out proceeded, fish production capability would be carefully evaluated relative to Federal responsibilities and unneeded facilities transitioned to State operation or disposed of. However, given the Federal budget situation and the critical need to reduce expenditures, immediate consideration of hatchery realignment was appropriate. The hatcheries involved were considered relative to probable future Federal needs. Those with the most potential were to be retained; those with less potential because of location or other factors were proposed for transfer or closure.

Question: You are proposing to eliminate the public use activities at 6 hatcheries. Will this close all of the Service's aquariums and visitor centers located at hatcheries?

Answer: The proposed action will close only those aquariums/visitor facilities housed in separate, single-purpose buildings. The intent is to save the operational costs associated with these facilities.

Question: What will be left?

Answer: A number of small aquaria and visitor displays housed in combination buildings (office/hatchery buildings) will be retained. Also, such things as static displays that don't incur routine operational costs to maintain will be retained.

Question: On page 124, you are proposing a reduction of $154,000 but the text states $167,000 in savings will be achieved. What is the right number?

Answer: The correct estimate of anticipated savings is $154,000.

Question: You also state that you will begin certain closure related actions at these sites in 1986 in anticipation of closing them in 1987. I would hope that we do not have an argument about this. We do not want adjustments in maintenance, staffing, spawning, egg collection, or incubation activities until we have reached an agreement on which hatcheries will be closed or until we have responded affirmatively to a reprogramming proposal. Do we have an understanding on this?

Answer: The Service does not intend to initiate any irreversible action toward transfer or closure or any action that would potentially affect FY 1987 production until the Congress has had the opportunity to review and act on the FY 1987 budget proposal. We will, however, proceed with planning necessary to implement possible transfers/closures as judiciously as possible after Congress acts on the FY 1987 appropriation.

Question: Are there other hatcheries that are candidates for transfer to the States?

Answer: The State of Ohio has indicated an interest in assuming operation of the Senecaville National Fish Hatchery in Ohio, although the Service has not proposed the closure of this faciltiy.

Question: Will we be consulted on each of those before commitments are made?

Answer: The Service will not close or transfer operation of any fish hatchery without first consulting with the appropriations subcommittees.

Question: You are again proposing to reduce the hatchery maintenance program to a level insufficient to protect our investment and operate an efficient hatchery system (p. 125). What is your backlog of unmet maintenance needs?

Answer: We don't have an accurate estimate at this time of unmet maintenance needs. The Service is presently in the process of implementing a new Maintenance Management System. Part of this implementation process is complete maintenance surveys of all Service facilities which will identify maintenance deficiencies and the estimated costs of correcting these deficiencies. Surveys of all Service buildings are being conducted in FY 1986. An estimate of the "maintenance backlog" related to buildings should be available when the building surveys are completed in late 1986. Surveys of other facilities and equipment will continue in subsequent years as funding and manpower permit.

Question: Why don't we wait until you develop and implement your maintenance management system before we reduce maintenance funding?

Answer: The hatchery maintenance funding requested in FY 1987 is essentially the same level of funding requested in FY 1986, prior to the additional $994,000 added by the Congress to the FY 1986 appropriation. We believe that under the present budgetary situation it would be more appropriate to defer increases until such time that facility condition surveys are completed and a better indication of actual need is available. Proposed funding in the FY 1987 budget is sufficient to meet the highest priority hatchery maintenance needs.

Lower Snake River Compensation Plan

Question: In 1985, you estimated the 1987 costs for the Lower Snake River Compensation Plan (LSRCP) at $7.8 million. Your 1987 costs come down $1.4 million. Is the 1987 proposal full funding for the LSRCP?

Answer: The budget request of $6.4 million will fully meet the anticipated operational needs for FY 1987. The $7.8 million estimate for FY 1987 included in the FY 1985 budget justification was based on the Corps of Engineers construction schedules at that time. Subsequently, there have been various changes and delays in construction of facilities that set back planned operational start up. Unforeseen changes of this type are fully expected and unavoidable in a major construction program such as the LSRCP. The FY 1987 request takes into account these changes and the funding has been adjusted accordingly. As construction of planned facilities is completed, additional operational funding will be requested in future budgets. Also, the FY 1987 estimate in the FY 1985 budget justification included approximately $1.8 million for fishery evaluations. We now believe that $0.9 million, included in the FY 1987 request, will adequately meet requirements for the evaluation component.

Question: Is BPA reimbursing full costs of the LSRCP to the Treasury?

Answer: Under the present legislative authorities, the Bonneville Power Administration (BPA) reimburses the Treasury for 100% of all anadromous fish mitigation related costs and 83.7% of resident fish mitigation related costs. BPA reimburses the costs at the end of each fiscal year based on actual expenditures incurred by the Service in that year. Since expenditures in any given year may not precisely match the appropriation, the reimbursement may not precisely match the appropriation to the Service for that year. However, unexpended LSRCP funds carryover for expenditure the following year, so, ultimately, all LSRCP funds appropriated to the Service should be reimbursed to the Treasury by the BPA.

Question: What was the 1985 reimbursment?

Answer: The FY 1985 expenditure total provided by the Service to the BPA was $4,446,692. We assume that this was the amount reimbursed to the Treasury.

Population Management

Question: We are currently spending $2.3 million for fishery population management activities. Why can't the mitigation study proposed for 1987 (+$214,000 - p. 144) be absorbed within available funds?

Answer: The Population Management Subactivity supports technical expertise in management of anadromous, Great Lakes, and inland fishery resources where the Federal Government has responsibility. The present base funding provides FWS technical support and/or assistance in approximately 155 areas involving 583,000 acres of impoundments and more than 15,000 miles of stream. This funding also supports FWS activities related to the Secretary of the Interior's Indian trust responsibilities vis-a-vis fishery issues. This Subactivity has been substantially reduced in recent years through elimination of activities that were not a direct Federal or Service responsibility. The remaining funding supports essential activities that are a clear Service responsibility. Absorbing the proposed mitigation study within available funds would require diversion of resources from these activities, directly reducing the Service's capability and effectiveness in its role in management of interjurisdictional fishery resources and resolution of associated issues and problems.

Question: How much of the current NFH production is for mitigation?

Answer: Total distribution (stocking) in the hatchery system in FY 1985 was approximately 161.7 million fish weighing approximately 6.0 million pounds. Of this total, approximately 97.3 million fish weighing 2.9 million pounds were for mitigation-related activities.

Question: Will this go up if the mitigation study is completed?

Answer: The study per se will not necessarily increase or decrease mitigation-related production at FWS hatcheries. The study will allow the Service to review, on a project-by-project basis, all current mitigation-related stocking and other fishery management activities; clearly identify and/or establish the Federal mitigation responsibility; and develop feasible alternatives for possible recovery of mitigation costs from project beneficiaries. It is possible that certain situations will be identified in which mitigation activities have been expanded beyond the intended mitigation requirement, thereby constituting resource "enhancement". In that situation, the Federal (Service) contribution, or the cost thereof, could be reduced to the intended mitigating level. In other situations, it may be determined that required mitigation was never implemented or existing activity does not meet the intended mitigation requirements. In that case, The Service, along with State, tribal, and other Federal cooperators, would analyze and negotiate the appropriate actions that should be undertaken to fulfill Federal mitigation obligations.

Fishery Research

Question: You are proposing an increase for research on the court ordered Great Lakes settlement program (+$110,000 - p. 151). What is the 1986 level?

Answer: No funding was provided in the FY 1986 appropriation specifically for settlement related work. We are minimally addressing requirements of the settlement within overall activities and operations at the Great Lakes Fishery Research Laboratory.

Question: What will be done?

Answer: The primary requirement is expansion of annual stock surveys and assessments of lake trout and other fish stocks within the Treaty-ceded waters. This data generated through surveys and assessments are provided to the Executive Council as directed in the settlement agreement to establish cooperative harvest strategies and annual harvest targets.

Question: Is the work being done of the same priority as other FWS research, even if the treaty did not divert certain activities?

Answer: The Service's primary goal in the Great Lakes is the restoration of lake trout and other fish stocks to optimum self-sustaining levels. This effort is a cooperative effort between the Service, the States, and Canadian provincial and Federal governments that is coordinated through the Great Lakes Fishery Commission. Virtually everything the Great Lakes Fishery Laboratory does is oriented toward or consistent with this primary goal, including those specific activities in support of the settlement. The requested increase for settlement activities would allow the Service to effectively carry out the required surveys while allowing existing resources to be used for other high-priority research in support of the restoration goal.

Questions: You are proposing to cut $149,000 from the exotic fish research program at Gainesville, Florida, and to terminate the aquaculture demonstration program at Leetown, West Virginia. What does this leave at Gainesville?

Answer: The FY 1987 budget request includes approximately $410,000 and 8 FTEs for the Gainesville lab.

Question: At Leetown?

Answer: A total of $2,030,000 and 47 FTEs is tentatively scheduled for the Leetown Fishery Center in FY 1987. Incorporated in this amount is a $200,000 reduction associated with the proposed closure of the experimental hatchery at Leetown.

Question: What is left in 1987 for maintenance funding?

Answer: The budget includes $318,000 for maintenance of fishery research laboratories.

Question: For how many labs?

Answer: This funding is used for maintenance of 10 major fishery laboratories and their associated field stations.

Question: Is that reasonable?

Answer: We believe it will be adequate to meet the essential requirements necessary to maintain research operations in FY 1987.

Question: How much is that per square foot or what percent is it of new lab equipment costs?

Answer: The current capital replacement cost of the Service's fishery research facilities is estmated at approximately $55 million. The $318,000 maintenance account would represent approximately 0.6% of this amount.

Emergency Striped Bass Study

Question: Where is the emergency striped bass study?

Answer: The study is continuing with funding provided in the FY 1986 appropriation. The FY 1985 annual report (FY 1985) for the Emergency Striped Bass Study has been written and is awaiting joint approval by the Secretary of the Interior and the Secretary of Commerce and should be submitted to Congress in May, 1986.

Question: Will it be submitted this year?

Answer: The research will be completed at the end of FY 1986 and a final report provided to Congress in 1987.

Administrative Savings

Question: Last year, the Committee rejected a portion of your anticipated savings from management initiatives and asked that you trace your savings against the proposal. A report is due the Committee in May on 1986 savings. What is the status of that report?

Answer: The report is in the process of being developed for submission to the Committee.

Question: You are proposing administrative savings from management initiatives totaling $1,989,000 and another $2 million savings resulting from a decision not to purchase new motor vehicles (p. 27). Where will the management initiatives be implemented?

Answer: The Service will emphasize savings in the Washington and Regional Offices in implementing the FY 1987 management initiatives. Focus will be placed on consolidation or streamlining of management and administrative functions. Field stations generally will not be affected unless there is an opportunity to co-locate facilities and avoid duplication of capability, personnel, and equipment.

Question: Will the Service lose FTEs in field locations? Do you know where the reductions will occur?

Answer: There will be no reduction in FTEs as a result of the FY 1987 management initiatives.

Motor Vehicles

Question: What is the age and mileage distribution of the Service's motor vehicle fleet?

Answer: The age of 34.7 percent of the Serv[illegible]'s vehicles is 7 years or over. The average mileage is 42,461 miles.

Question: How many vehicles of various types [illegible]ould normally be purchased?

Answer: The Service normally purchases approximately 67 police type and 58 standard type automobiles and 2 police type and 64 standard type station wagons per year for a total of 191 vehicles. The Service also purchases approximately 243 light trucks per year.

Question: Is it reasonable to skip all vehicle acquisitions in a given year or is it better to reduce it gradually?

Answer: Yes. It is reasonable to skip all vehicle acquisitions for a given year. This can be accomplished, due to the fact that the Service performs adequate preventative maintenance on its vehicle fleet.

Tortuguero Lagoon, PR

Question: You are proposing a rescission of $4,000,0000 for the Tortuguero Lagoon in Puerto Rico, on the basis that satisfactory agreements have been negotiated with the Commonwealth to protect the lagoon. What are the terms of the agreement?

Answer: The Commonwealth has a zoning restriction on the land to protect habitat for migratory birds, maintain natural diversity and to assist in preventing the endangerment of native plants. It provides also for the control of the use of wetlands, low-lying floodable areas, and upland habitat. The objectives of these restrictions are to protect the natural resources of the area and to guarantee the option of future recreational uses.

Question: Does the existing protective zoning classification expire after 1 year?

Answer: The existing zoning will expire April 1987.

Question: What happens then?

Answer: A letter was sent April 23, 1986, from Regional Director James W. Pulliam, Jr., Atlanta, CA, to Governor Rafael Hernandez Colon requesting assurance that if the Service does not acquire the land, protective status will be maintained.

Bon Secour NWR

Question: Why is the Bon Secour acquisition money ($951,000) proposed for rescission?

Answer: The Service initially proposed a rescission of $951,000 since the majority of the habitat for the Alabama beach mouse at Bon Secour NWR has been acquired. Deferral of this acquisition would not have had a significant impact on the recovery of this species.

U.S./Canada Pacific Salmon Treaty

Question: Please display your 1985, 1986, 1987 costs and activities for the U.S./Canada Pacific Salmon Treaty.

Answer: Service funds allocated to Pacific Salmon Treaty related activities are approximately as follows:

	FY 1985 Actual	FY 1986* Appropr.	FY 1987 Budget
Direct Treaty Implementation			
Commission Panel Participation	3,000	14,000	15,000
Technical Committee Participation	6,000	33,000	35,000
Data Exchange	10,000	47,000	49,000
Stock Identification (Tagging)	30,000	149,000	155,000
	$49,000	$243,000	$254,000
Studies for Yukon River Negotiations	$33,000	138,000	144,000
TOTAL	$82,000	$381,000*	$398,000

* Includes 4.3% Gramm-Rudman-Hollings reduction.

Question: Please describe and justify each activity.

Answer: The Service's official role as established under the Pacific Salmon Treaty Act of 1985 is as an alternate member of the Southern Panel, one of three management panels established under the Act, and as a member of various technical committees serving the panels. The specific purposes for which funds are required include:

Commission Panel Participation: Professional staff time, clerical support, travel, office supplies and equipment, and other costs associated with participation in meetings and activities of the Southern panel.

Technical Committee Participation: Technical staff time, clerical support, travel, supplies, and other costs associated with participation of Service technical personnel on the Commission's chinook, coho, and chum salmon technical teams.

Data Exchange: Incorporation of Service hatchery production, tagging, evaluation, and other management data into the common fishery resource data base used by the Commission and its cooperators in managing the salmon resources.

Stock Identification (Tagging): Tagging of fish produced at Service operated hatcheries in order to provide necessary harvest and return data.

In addition to establishing a structure and processes for management of the transboundary Salmon resources of the Northwest, the Treaty also established a forum for continued negotiations between the U.S. and Canada regarding allocation of Yukon River Salmon stocks. To provide the technical resource data needed to support these negotiations, the Fish and Wildlife Service and the Alaska Department of Fish and Game are conducting various cooperative assessments and studies of the Yukon River stocks.

Question: Also, what are other agencies budgeting for this program?

Answer: According to the information we have available, the FY 1987 amounts for various agencies for direct treaty implementation activities follows.

Department of Commerce, National Marine Fisheries Service......	$4,000,000
(For activities conducted by the NMFS and activities conducted by the Alaska Department of Fish and Game, Washington Department of Fisheries, Oregon Department of Fish and Wildlife, and Idaho Department of Fish and Game.)	
Department of the Interior	$1,254,000 *
Fish and Wildlife Service	(254,000)*
Bureau of Indian Affairs	(1,000,000)
(For activities conducted by the Columbia River Intertribal Fish Commission and the Northwest Indian Fish Commission.)	
Department of State	$2,256,000
TOTAL	$7,510,000

* Includes only direct Treaty implementation requirements; does not include funding for studies to support continuing negotiations regarding allocation of Yukon River stocks.

Gramm-Rudman-Hollings Reductions

Question: Please provide a detailed explanation of your Gramm-Rudman reductions in 1986.

Answer: While every project and activity of the Service is impacted, examples of specific actions include the following:

- Reduce R&D support for certain habitat assessment techniques and other projects, such as acid rain demonstrations, OCS leasing.
- Terminate contaminants research focusing on Upper Mississippi River, metals in acid lakes of Wisconsin, contaminants in sediments in Galveston Bay, Texas.
- Reduce scope of contaminants research focusing on effects of contaminants on smoltification, study of toxicity of priority pollutants.
- Reduce scope of two FY 1986 Congressional add-ons for related to contaminant-disease R&D and investigation of non-toxic shot alternatives.
- Decrease activities related to visitor services on wildlife refuges.
- Reduce level of protection to migratory birds, marine mammals, and other wildlife species; reduce law enforcement intelligence gathering, including undercover operations.
- Reduce number of migratory bird surveys.
- Reduce level of fishery assistance provided on Yakima Indian Reservation and Yakima River; cancel radio-tracking of Atlantic salmon in Merrimack River.
- Reduce construction and land acquisition projects by 4.3% across-the-board; if reductions result in inadequate funds to carry out projects, reprogrammings may be proposed from lower priority projects.
- Reduce payments to States and counties from programs such as National Wildlife Refuge Fund, Sport Fish Restoration, and Federal Aid in Wildlife Restoration.

Question: Where you have indicated that travel, training, purchase of equipment, and personnel are all included in the reduction (such as is the case on p. 30), please spread the reduction appropriately.

Answer: The Service is compiling the details requested and will provide the specific information to the Committee in a separate response.

Cooperative Research Units

Question: For the coop units, how many personnel are actually on board?

Answer: The cooperative units program currently has 72 research, and 5 administrative personnel for a total of 77 Federal employees.

Question: How much money is provided from other sources?

Answer: The units receive approximately $14.5 million from other sources to conduct research. The $4.4 million of FWS Cooperative Unit Program funds is used primarily to pay salaries for Federal employees and provide minimal operating expenses.

Question: What is the total funding amount available to the coop units?

Answer: The total funding available to cooperative units from all sources for FY 86 is $18.9 million.

Question: What is the status of the Service's efforts to combine the fish and wildlife units across the country?

Answer: There are currently 19 combined fish and wildlife units, 10 fishery units and 5 wildlife units in the unit program. Negotiation for combination is continuing in five states in which the Service still operates both independent fishery and wildlife units.

Question: What is the status of establishing a new coop unit in West Virginia?

Answer: As requested by the FY 1986 Senate Report, the Service is establishing a combined fish and wildlife unit in West Virginia.

Question: Where is the money coming from?

Answer: The costs for the new unit will be redirected Cooperative Research Unit Program salary funds from units where vacancies will not be filled or from units where personnel are reassigned to staff the West Virginia Unit.

Question: Should this be a reprogramming?

Answer: An internal reprogramming of salary funds will be necessary when staff are selected for the new unit.

Alaska Construction Costs

Question: How is the construction proceeding for the Alaska projects funded in the past three years?

Answer: The Service continues to make progress on the various construction projects in Alaska. A table is provided to show status on the individual projects.

U.S. FISH AND WILDLIFE SERVICE
Status of Alaska Construction Projects

REFUGE	PROJECT	FY	APPROPRIATED AMOUNT	OBLIG TO DATE	BALANCE	COMMENTS
Alaska Maritime	Rpl. Aleutian Tern. (WA)	81	$ 800,000	$ 4,532	$ 795,468	Bid Opening 4/25/86. Est $4.6 million for the Rearch vessel/proj. Additional funds WA & WJ. Balance of funds to be used for engr services/ contingencies & hiring of Marine Architect to inspect projects.
	Vessel Study (WJ)	84	$ 100,000	$ -	$ 100,000	" "
	Oper/Res Vessel (WT)		$5,380,000	$ -	$5,380,000	" "
Yukon Delta NWR	Rehab. Exist. Fac. (WB)	84	$ 7,487	$ 4,294	$ 3,193	Funds reprogrammed to residence constr.
	HQ Complex (WN)	84	$2,925,000	$ 5,339	$2,919,661	Bid opening 4/22
	Const 2 Residences (WP)		$ 782,513	$ -	$ 782,513	Design complete. Award by end of FY 86. Constr. summer FY 87.
	Housing (WQ)	85	$1,905,000	$ 37,304	$1,867,696	Design complete. Award by end of FY 86. Constr. to begin summer FY 87.
Arctic NWR	Kaktvk Bunkhs/Ofc (WC)	85	$ 688,000	$ 6,449	$ 681,551	Design complete. Award by end of FY 86. Constr. to begin summer FY 87.

REFUGE	PROJECT	FY	APPROPRIATED AMOUNT	OBLIG TO DATE	BALANCE	COMMENTS
Arctic NWR	Arctic Vlg Bunkhse (WD)	85	$ 476,000	$ -	$ 476,000	Local opposition to construction in Village. Land has not been acquired.
Innoko NWR	Housing (WH)	85	$ 360,000	$ 8,046	$ 351,954	Negotiating with SBA 8A contractor. Award of contracts expected by 9/30/85.
	Bunkhse (WV)	85	$ 432,000	$ 1,050	$ 430,950	Construction to begin summer 1987.
Nowitna NWR	Residential Sty. (WK)	84	$1,500,000	$1,191,000	$ 309,000	Contract awarded 4/86 for $1.190 million Construction to begin FY 1986.
Alaska Peninsula	Housing (WM)	85	$1,085,000	$ 711,000	$ 374,000	4 residence contracts awarded $300,000. Balance to be used for contingencies and inspections of constr.
Selawik NWR	Bunkhse/Storage (WM)	85	$ 434,000	-	$ 434,000	Pending reprogramming. FWS & NPS joint facility.
Kanuti NWR	Bunkhse/Stoge./Ofc. (WU)	85	$ 746,000	-	$ 746,000	Design completed. Contract to be awarded by 9/30/86. Construction to begin 6/87. Part of funds reprogrammed for aircraft hangar.
Togiak NWR	Bunkhse (WX)	85	$ 485,000	-	$ 485,000	Design 70% complete. Land acquisition has not been completed. Award expected by 9/30/86. Construction to begin by 6/87.
New Authority Alaska Maritime	NWR Bunkhses (WF)	86	$650,842	-	$ 650,842	Soliciting AE design firm. Construction to begin summer 1987.
Kenai NWR	Visitor Facility (WG)	86	$869,632	-	$ 869,632	Awaiting completion of need study by AE. Project to begin 10/86.
Selawik NWR	Residences (WS)	86	$908,897	-	$ 908,897	Design work 80% completed. Land acquisition by 9/30/86. Construction during summer 1987.
Tetlin NWR	Visitor Center (WW)	86	$667,629	-	$ 667,629	Assessing site-design that will begin 8/86. Display architect firm to start planning display at VC by end of year.
	Total		$ 21,203,000	$ 1,969,014 (9%)	$ 19,233,986	

Question: Are the projects on schedule?

Answer: There have been some delays, but generally, we are now progressing satisfactorily and anticipate little or no problems. However, local opposition to the construction of a Service bunk house in the village has delayed land acquisition at Arctic NWR.

Question: Are they coming in within the cost estimates.

Answer: No problems are anticipated at the present time.

Alaska Research Vessel

Question: Has the Service let the contract yet for construction of the Service's boat, to be used to support the wildlife refuges in Alaska?

Answer: Solicitations were available to potential construction contractors and bids were opened on April 24, 1986. A total of seven bids were received from various shipyards. The bids are being evaluated and the contract award within budgeted funds is expected to be made during June.

Question: We have heard some criticism about the priority of the boat and the anticipated operating costs. Is the boat still a high priority?

Answer: The boat remains a high priority for the region.

Question: What are the annual operating costs estimated to be?

Answer: Annual operating costs are estimated to be $400,000. The current cost of charter vessel operations for research and monitoring wildlife populations is about $300,000 per year.

Co-location of NPS Projects

Question: Is the co-location of projects with the National Park Service (NPS) in Alaska on schedule?

Answer: The Service is currently sharing facilities with the NPS at Kotzebue, King Salmon and Bettles. Interagency agreements have been signed, some projects completed (King Salmon hangar), others are under construction (bunkhouse at Bettles), and facility needs are being identified (Kotzebue). The Service is also considering co-location facilities with NPS at Coldfoot.

Missisquoi Building Construction

Question: We have asked for a plan for a visitor center/office building at the Missisquoi NWR. What is the status?

Answer: A total of $19,600 has been provided for the purpose of advance project planning. This planning, expected to be complete in June 1986, will provide a site plan/layout, design criteria and cost estimates. Soil borings and perc tests have been completed. Currently, a test well contract is pending award and a bid opening is scheduled by the end of May for a cultural resources survey.

Law Enforcement

Question: How many agents will be on board in 1986 and 1987?

Answer: During FY 1986, the Service expects to maintain an average force of 188 special agents. In FY 1987, the Service anticipates an average force of 187 agents.

Question: Is the number of agents trending up or down?

Answer: The overall size of the agent force has fluctuated from 220 at the end of FY 1977 to a low of 185 at the end of FY 1985. Including 10 new hires, the present strength of the agent force is 193.

Question: Why have you requested an increase in the payment of rewards program?

Answer: In recent years, as shown by the following table, the Service has used unvouchered funds and rewards to the fullest extent possible in an effort to curtail illegal commercial wildlife activities. We have found in case after case that the most effective technique for combating this type of crime is purchasing evidence and information through informants and offering cash rewards to private citizens for useful information. Unfortunately, each year as law enforcement investigations are curbed to ensure adherence to the administrative provision limitation, it has become apparent that an increase in the limitation is necessary.

While it is true that it is impossible to accurately predict the exact amount of funds necessary for payment for these two types of activities, the need has increased dramatically as the Service undertakes more extensive covert operations. Therefore, the Service is requesting an increase in authority from the current level of $300,000 to $400,000 for FY 1987.

FISCAL YEAR	UNVOUCHERED EXPENDITURES	PAYMENT OF REWARDS	COMBINED TOTAL	AUTHORIZED LEVEL
1984	197,500[1]	2,500	200,000	200,000
1985	193,000	6,700	199,700[2]	200,000
1986[3]	140,000	23,000	163,000	300,000

[1] Needed $50,000 in late September; received remaining $34,000 of authorized level.

[2] Payment of a $500 reward had to be delayed until the next fiscal year.

[3] Figures shown for the period of 10/1/85 - 3/31/86.

Question: How much has been paid out in the past three years?

Answer: As shown on the preceding table, the Service purchased information and evidence to assist with on-going investigations for a sum of $197,500 in FY 1984, $193,000 in FY 1985, and $140,000 during the first six months of FY 1986. Additionally, the Service paid rewards to private citizens who were able to furnish vital information leading to the arrest and conviction of wildlife criminals. Rewards totalled $2,500 in FY 1984, $6,700 in FY 1985, and $23,000 during the first half of FY 1986.

Question: What did we get in exchange?

Answer: Evidence and information was purchased through the payment of rewards program. This continues to be a very valuable way to curb illegal wildlife activities.

Subsistence Grants

Question: Why are you eliminating the Alaska Subsistence grants?

Answer: Previously provided funds have aided the State in initiating and establishing the subsistence program, and further Federal funding is not essential to its continuance at adequate, although reduced, levels. The elimination of this funding is consistent with the general thrust to eliminate grants where the States can support the programs on their own.

Question: Aren't they required by law?

Answer: The Alaska National Interest Lands Conservation Act (ANILCA) states: "The Secretary shall reimburse the State, from funds appropriated to the Department of the Interior for such purposes, for reasonable costs relating to the establishment and operation of the regional advisory councils established by the State in accordance with subsection (d) and the operation of the State fish and game advisory committees so long as such committees are not superseded by the Secretary..." Although ANILCA authorizes reimbursement to the State for subsistence activities, Congress must specifically appropriate the funds necessary to provide such a grant.

Federal Assistance

Question: In FY 1986, your P-R and D-J grant programs total nearly $243 million of which $16 million is for program administration. In 1987, the total increases to $236 million, yet you are decreasing the administrative funding to $4 million. Why are you making this change?

Answer: This change was proposed to decrease Federal costs and employment. The savings in administrative costs will result in an increase of funds available to the States for their grant programs.

Question: What will you change to enable you to take a decrease of this magnitude?

Answer: We will reduce the level of program overview and monitoring by placing greater reliance on State procedures for the management of their grant programs, and also reduce the Federal role in some functions such as providing direct assistance to the States. Cost savings also will be achieved by discontinuing funding for special projects with Federal Aid administrative funds.

Question: Will the changes you are proposing impact in any way on the States, i.e., increase the planning that they must do or lengthen the time for project approval?

Answer: It was not our intent to create any unusual burden on the States by this action. However, we will need to rely more heavily on the States to manage their Federal Aid activities, with a minimum of direct Federal involvement. This may require some additional time for project approval, and result in a decrease in those direct services which have been provided to the States in the past. However, we do not believe the impact will greatly affect the States.

Question: Your budget indicates that funds not used for administration will be added to the grant money for States. Have you had any reaction from the States to this proposal?

Answer: We have had some expression from State fish and wildlife agencies of disagreement with this proposal.

Question: Do they want to receive the additional funding?

Answer: Comments from State fish and wildlife agencies seem to indicate a preference for the Service to maintain the current level of program administration and continued support for special projects in lieu of increased funding for their grant programs.

Question: Will the States be able to match and spend the funds?

Answer: There is no indication that the States will not be able to use the additional funds made available to them. Both the P-R and D-J grant programs provide the States with a two-year period to use the funds allocated to them. Therefore, funds may be carried over if they cannot be used in the first year.

Question: There are a number of special projects that have been funded with the administrative funds. The largest of these seems to be the National Survey of Fishing, Hunting and Wildlife-Associated Recreation. What will be the impact of this proposal on the survey?

Answer: Funding of the Survey in FY 1987 with P-R and D-J administrative funds will be discontinued. The data collection phase of the Survey will be completed with funds made available in FY 1986. Release of the data from the Bureau of the Census to the Fish and Wildlife Service, and the analysis and publication of the data may be deferred pending availability of alternative funding sources.

Question: Who are the primary users of the survey and data?

Answer: The primary users of the Survey are the Fish and Wildlife Service, other Federal agencies, and the State fish and wildlife agencies.

Question: Have they been consulted about your plans, and how did they react?

Answer: We did not consult with these users in the development of this proposal. However, the reaction from the States on this proposal seems to indicate that they would prefer that the Service continue funding of the National Survey. If the States wish to continue this project, they could pursue joint project funding.

Question: There are other special projects that will be discontinued as a result of the decrease in administrative funds. Would you describe for example, the Library Reference Service and explain what the impact of no funding will be on the users?

Answer: The Library Reference Service provides bibliographic searches and copies of research reports to State researchers and others for their review of similar work already completed, thereby reducing duplication of research efforts. Though P-R and D-J administrative funds may not be available to support this project, we believe other funding sources may be available to continue this work. For example, if the States wished to continue this project, they could cooperatively fund it under a joint funding project. Another funding possibility is for user fees to support the reference service.

Question: Your proposal reduces the staff by more than 50 percent. Does this mean you will have to RIF people?

Answer: We hope that reductions in the Federal Aid staff can be accomplished without resorting to a Reduction in Force. A request will be made for "early out" authority as a first step. In addition, we may be able to place some people in other units of the Service.

Question: We understand that a RIF actually costs more money than it saves. How will you address this within the funding level you have identified?

Answer: If the Service needs to resort to a RIF and the costs exceed the funds available, we may need to revise our estimated administrative deductions to accommodate the funding needs. Cost savings are not expected in the first year, but accrue in subsequent years as total salary and benefit costs are reduced.

Question: Do you have a priority system for the use of reverted funds?

Answer: The selection of projects funded with P-R and D-J reverted funds is done after consideration of candidate projects for use of funds. The highest priority projects will be funded, within the availability of funds.

Question: Are projects selected exclusively by Fish and Wildlife Service personnel?

Answer: Yes, though consultation with others outside the Service may take place in the development of funding proposals.

Question: Has Vermont qualified for Dingell-Johnson funding for the Kingsland Bay hatchery?

Answer: Vermont has not yet submitted an application for Dingell-Johnson funds for the Kingsland Bay hatchery. However, based on our understanding of the proposed hatchery, we believe the project would qualify for funding under the D-J program when the State formally applies.

EXECUTIVE DIRECTION

Question: Legislative Services shows an increase from $252,000 to $296,000 and from six to seven FTEs in comparing the FY 1986 budget with the 1987 budget. Why were these increases not reported?

Answer: This increase represents a minor funding adjustment and the reassignment of one FTE in FY 1986 to meet workload requirements without increasing the Executive Direction base. It has been reported on the Service's second quarter reprogramming report.

The Office of Legislative Services (LS), with responsibility for both legislative and Congressional liaison functions, has experienced a significant workload increase. This funding adjustment was necessary to maintain our responsiveness to Congressional inquiries, prepare testimony and briefing materials for Congressional hearings and to keep members of Congress informed of FWS actions that may affect them or their constituents. For example, the number of hearings in FY 1986 which require extensive LS involvement has steadily increased and is expected to rise by 15 percent over FY 1985. The number of telephone inquiries from Congressional offices has increased. There has also been a greater need for briefing Members of Congress and their staffs arranged by LS; it is anticipated that this office will coordinate over 80 briefings in FY 1986, some requiring notification of over 100 members on issues such as non-toxic shot and coastal barriers. In addition, LS coordinates the Service response on an increasing number of bills referred to the Department by Congressional committees or drafted by other Federal agencies to ensure that fish and wildlife resource issues are considered in the development of a DOI position.

Question: Similarly, Public Affairs shows an increase from $544,000 to $585,000 with no change in FTEs. Please explain this change.

Answer: The size of the FWS Public Affairs office has remained constant since 1984. Approximately one-third of this increase is due to higher salary costs, adjusted through pay annualization. The balance represents a minor funding adjustment in FY 1986 to meet operational requirements and higher production costs. Basic production costs have increased. For example, press release costs have approximately doubled since FY 1984 due to increased costs for paper and printing. Printing costs overall have increased approximately 10 percent per year since FY 1984. Increased public inquiries--especially regarding waterfowl issues--have resulted in an increased need for printed materials to respond to the public.

Question: What are you doing to reduce Washington and Regional Office administrative costs?

Answer: The Fish and Wildlife Service has several initiatives to reduce administrative costs. For example, we have recently completed a comprehensive review of the FWS planning system to eliminate unnecessary planning actions and better meet resource management needs. Among other changes, existing plans are being reviewed and eliminated as necessary, additional planning will be streamlined and undertaken only when needed to meet resource needs, and implementation through operational planning will be simplified. We believe this is a major step in reducing paperwork requirements and should ensure that formal planning actions are undertaken only when needed, useful, and affordable.

In conjunction with this planning review, the Service has also completed an evaluation of accounting procedures currently required as part of the FWS Program Financial Management Information System (PFMIS). Eight recommendations to eliminate or revise current procedures were developed by a task force. Implementation will result in a significant paperwork reduction and a commensurate savings in time devoted to fiscal coding and reporting functions. At the same time, accounting data and reports will be more responsive to the needs of field, regional and Washington office managers. These recommendations will be implemented by the end of this fiscal year.

In another example, the Service has streamlined travel advance management procedures through the use of Diners Club cards. This has resulted in significantly fewer outstanding cash advances and reduced time required for processing travel advance requests.

Question: What is the impact on your operations from these reductions?

Answer: The aim of all these initiatives is to streamline operations. Any impacts will be beneficial, in the form of reduced paperwork and time devoted to these functions and increased responsiveness to management needs.

EEO

Question: What success have you had in recruiting women and minorities into managerial positions?

Answer: At the beginning of 1985 the Service implemented a 2-year "Project Leader Initiative," the goal of which was to have 5 percent of this targeted group of supervisory and managerial positions in each region filled by minorities or women by the end of FY 1986. We have defined a project leader as "a person in charge of a unit who is responsible for decisions regarding all aspects of the specific unit, either going up the line as a recommendation or down the line for implementation." As a result of this initiative, four minorities and four women Servicewide have been appointed or promoted to project leader positions in the last year. Individually, six regions have attained or exceeded the 5 percent project leader goal.

Similar progress can be seen within specific professional series. For example, there is currently a total of 66 minorities and/or non-minority women in the refuge manager series, representing a gain of 11 since last year.

Question: What new initiatives have you made to assist in recruiting and/or advancing women and minorities into managerial positions?

Answer: Several efforts are underway. First, the Project Leader initiative referred to above has been expanded. Each region is developing an action plan to increase minority/female representation in project leader positions by one, over and above meeting the 5 percent project leader goal. Each region is also developing an action plan to provide high potential minority and female employees with opportunities that will help them compete for associate regional director positions. The Service has also:

- established an active candidate referral listing system Nationwide through which qualified candidates can be identified for specific job vacancies;
- sought and received exemptions from the Departmental hiring freeze to fill cooperative education positions, an effective means to recruit minorities/women (63 percent of current participants are women);
- continued its long-range recruitment efforts to increase the pool of available candidates for professional occupational series; and
- continued to stress the selection of minorities/women for the Departmental Management Development Program (DMDP). Until 1974, only 7 percent of the DMDP participants were non-minority women/minorities. Since then 18 percent of all DMDP participants (12 of 67) have been women and 15 percent (10 of 67) minorities.

Question: Have your efforts at grade bulge reduction adversely impacted your work to recruit and/or advance women and minorities into managerial positions?

Answer: Although there will be fewer higher level positions available for competitive placement, grade bulge reduction efforts will create more opportunities for creative staffing. Specifically, positions can be restructured to lower levels accessible to a larger number of candidates who will be able to use these opportunities for career enhancement.

Training

Question: Reductions in 1986 due to P.L. 99-177 (Gramm-Rudman-Hollings) impacted FWS training. Has this had any serious consequences on employee performance or morale?

Answer: The reductions have had no significant impact on employee performance, however it has had minor effect upon the morale of the employees through reduced availability of training courses and assignments.

National Fish and Wildlife Foundation

Question: From your 1987 budget, it appears that the decrease of $150,000 from 1986 funding levels means the Foundation will be able to support itself in 1987. Is that a reasonable expectation?

Answer: The National Fish and Wildlife Foundation is aggressively seeking grants from private foundations, corporations and individuals to enable it to achieve self-sufficiency as soon as reasonably possible. The Foundation's Board has pledged generous initial contributions towards that effort. In addition, the Foundation is seeking to generate ongoing operating funds from corporate sponsors, other entities and print sales, and is laying the groundwork for the establishment of an endowment. Funding was not requested to assist the Foundation in FY 1987 on the assumption, when the FY 1987 budget was developed, that they would be self-sufficient by the end of this fiscal year. At this time, the Department sees no reason to change this assumption. The FWS will closely monitor the needs of the Foundation during FY 1987. As you are probably aware, the Foundation Board objected to the elimination of Federal funding in FY 1987 and believes that additional support will be necessary in order to achieve the goal of obtaining self-sufficiency by the end of FY 1987.

International Affairs

Question: What is the status of projects funded under special foreign currency initiatives from previous appropriations?

Answer: Since FY 1977, the Service has entered into a number of cooperative projects in Egypt, India, and Pakistan. These projects, funded with foreign currencies authorized for use by the Department of the Interior, have involved species/habitat research, management, conservation, environmental education, and support for implementation of international wildlife/habitat conservation conventions and treaties.

It has been Service practice to obtain full funding in advance for multi-year projects. This practice has allowed projects to run through their projected completion dates, be amended should events require, and importantly, for foreign cooperators to commit counterpart resources necessary to successful project completion.

Egypt and India no longer have excess currency status, but FWS is still operating in these countries to implement multi-year projects and to undertake initiatives using carry-over funds. Several multi-year agreements are currently in effect with India for project work through 1989, and unobligated carry-over funding of approximately $128,000 worth of Indian rupees remains available. A major focus of our efforts in India is the establishment of the Indian Wildlife Institute where FWS is providing assistance in the development of research, management and environmental education curricula and in training personnel. In Egypt, approximately $241,700 worth of Egyptian pounds is available in carry-over funding and will be used primarily to train managers for Egypt's first protected areas (Ras Mohamed and Gabel Elba).

In Pakistan, approximately $675,000 in foreign currency equivalents are available. This includes the FY 1986 authorization of $475,000. The focus on projects in this country is on endangered species research and management, and training and education. For example, three multi-year projects are currently underway to gather information on listed species and their habitats.

- An ecological study of the Sind ibex and urial in Kirthar National Park is providing basic management-oriented information on these two species and is functioning as a technical training project for Pakistani personnel.
- An ecological study of the snow leopard will lead to management plans for this species.
- Assistance is being provided to develop national zoological-botanical garden and education centers at Islamabad and Peshawar.

Question: Can any new cooperative efforts between FWS and the National Park Service assist work in international affairs?

Answer: Cooperation between the two agencies has been extensive. Foreign currency projects have benefited from joint planning and shared funding, and by the participation of experts from each agency on the other's projects. Projects in the Western Hemisphere are jointly planned and there is shared funding and participation in a number of these activities. In addition, a newly developed cooperative program with the People's Republic of China is a joint Fish and Wildlife Service/National Park Service effort.

Question: What is your request for excess foreign currency in FY 1987?

Answer: The Department of the Interior did not request authorization for additional foreign currencies in FY 1987.

Question: Please explain the request and the impact on your operations.

Answer: Carry-over reserves from previous authorizations are sufficient to meet planned and projected needs.

General Administration

Question: How do you plan to solve your funding deficiencies in FY 1986?

Answer: The Service proposes to request Congressional approval to reprogram money within the Resource Management appropriation to fund the FY 86 deficiencies.

Question: Do you have adequate funds to cover unemployment compensation costs this year?

Answer: Yes. The Service has adequate funds to cover unemployment compensation this year.

Question: In 1986, did you use Schedule C employees to fill in for FTE reductions?

Answer: The Service did not use any Schedule C employees in FY 86 to fill in for FTE reductions.

Dam Safety

Question: Are there any dams in need of repair work?

Answer: The Service's first priority in budgeting for dam repair is to ensure the structural integrity of high and significant hazard dams, which are those dams that, by definition, impose a threat to human health and safety in the event of failure. The funds requested in the budget for two dams will provide for the immediate remedial repair needs that had been identified through the dam inspection program.

In addition to providing for essential remedial repairs, the Service's budget request will continue modifications to bring two other high/significant hazard dams in line with design standards specified in the Federal Guidelines for Dam Safety. Although structurally sound, these dams were constructed many years ago and do not meet the current design requirements.

Question: If so, why aren't they in the budget for FY 1987?

Answer: The budget request continues an incremental approach that we believe is logical and practical in light of the technical requirements and the current Federal budgetary situation. Correction of dam design deficiencies is very technically involved and requires a great deal of specialized, time-consuming engineering testing and study. The Service is contracting with the Bureau of Reclamation for much of this work. There may be other repair needs not specifically identified in the budget relating to low hazard dams that do not represent a threat to human safety. Those needs are considered relative to other facility maintenance and rehabilitation needs for funding with Resource Management maintenance funds.

Ruby Lake NWR

Question: What are the final results of the study examining the impacts of boating on Ruby Lake NWR?

Answer: The past two years have been spent testing and developing techniques for pursuing waterfowl brood survival studies. The results of these efforts at Ruby Lake will have broad application for similar studies elsewhere. At present, there are no plans to proceed beyond this study phase at Ruby Lake. However, brood survival studies will continue elsewhere in an effort to increase our understanding of brood mortality factors.

Mitchell Act Program

Question: We understand there is some interest in transferring the Mitchell Act program to FWS. How wou'd you accommodate such a transfer?

Answer: The Subcommittee on Fisheries and Wildlife Conservation and the Environment of the House Merchant Marine and Fisheries Committee has, in the recent past, expressed interest in transferring responsibility for hatchery operations and fish production authorized by the Mitchell Act (16 U.S.C. §§755-757) from the National Marine Fisheries Service (Department of Commerce) to the Fish and Wildlife Service (Department of the Interior). Transferring the Mitchell Act Program to the FWS would consolidate administration of all Federal fish hatchery and related activities in the Columbia River Basin under the Federal agency responsible for fish production. The Service believes such consolidation would be desirable and cost-effective. However, we believe transfer of the entire Mitchell Act Program, not just the hatchery portion which involves over 80 percent of the cost of the Program, should be considered in the interest of reduced cost and coordinated administration. While FWS should be solely responsible for administering the Program, it is also proper and desirable for the NMFS, given its ocean fishery management responsibilities under the Magnuson Fishery Conservation and Management Act (16 U.S.C. §§1801 et seq.), to be involved jointly in fish production policy decisions. In fact, it would be beneficial for all the principal fishery management entities (i.e., the NMFS, States, treaty Indian tribes, and FWS) to participate jointly in developing policy for federally funded fish production throughout the entire Columbia River Basin. The management structure agreed to by those management entities and submitted to the Secretary of Commerce for approval in accordance with the Salmon and Steelhead Conservation and Enhancement Act (161 U.S.C. §§3301 et seq.) could serve as a useful forum for such policy deliberations. The Service would seek to implement such a multilateral fish production policy and coordination mechanism if the Mitchell Act Program were transferred.

If the Committee proceeded with this initiative and proposed enacting legislation, the Office of Management and Budget would coordinate a comprehensive statement of the Administration's position that would incorporate the views of all concerned agencies. Once we have a specific legislative proposal, we will be able to comment on those provisions directly affecting the Interior Department.

Hagerman Field Station

Question: What is the status of the Hagerman Field Station wet lab construction project?

Answer: A total of $950,000 was approriated in FY 1985 to construct a new wet laboratory and an addition to the administration building. The engineering design has been completed and the Service is currently soliciting construction bids. Bid review and contract award is expected to be completed in May or early June. Actual construction should be initiated in June, 1986, with completion anticipated for March, 1987.

Endangered Species

Question: What is the status of the Coachella Valley HCP for the fringe-toed lizard?

Answer: On April 21, 1986, the Fish and Wildlife Service accepted the Habitat Conservation Plan (HCP), and issued an incidental take permit to allow its implementation. At the same time, the Service also signed an agreement with respect to the implementation of the HCP and an implementing management agreement.

Question: What management structure will the Service employ to protect this species?

Answer: The management agreement mentioned above includes the Service, Bureau of Land Management, California Department of Fish and Game, and The Nature Conservancy. Through this agreement, these four agencies will manage the preserves for the preservation of Coachella Valley fringe-toed lizards.

Question: What is the status of the woodland caribou work?

Answer: Since 1971, when the International Caribou Steering Committee was formed, there has been widespread interest in preserving and managing the Selkirk caribou. This interagency technical working group consists of representatives from the British Columbia Fish and Wildlife Branch, British Columbia Ministry of Forests, Idaho Fish and Game, Washington Department of Game, U.S. Forest Service, U.S. Fish and Wildlife Service, and the University of Idaho. The technical group developed the Selkirk Mountain Caribou Management Plan that was adopted by the Fish and Wildlife Service as an approved recovery plan on April 12, 1985.

The Selkirk caribou herd presently consists of 26-28 animals. No increase in herd size has been noted in several years of monitoring. Thus augmentation is believed to be vital at this time to save the species. The Forest Service has identified key and important caribou habitat in their forests (Idaho Panhandle National Forest, in particular), and is managing the habitat for caribou.

A major goal of the technical group is to augment the population. It is believed that a total of about 100 animals is needed to maintain a genetically viable herd. This goal will be reached through augmenting the current herd with animals from nearby herds in British Columbia. A test transplant was conducted in British Columbia between December 1984 [illegible] March 1985. A total of nine caribou was successfully transplanted (alth [illegible] wo were subsequently lost in an avalanche). These techniques will now be [illegible] d to augment the Selkirk herd. A three-year augmentation effort is sche [illegible] to begin in November 1986, involving the transplanting of 10-12 cari [illegible] year from Canada into Idaho's Panhandle National Forest. All members of the technical committee have agreed to cooperate in this venture. Environmental documentation of the action has been completed and the Forest Service has approved this action.

Buenos Aires Ranch, AZ

Question: What is the total purchase cost of the Buenos Aires Ranch in Arizona?

Answer: Total purchase cost was $8.9 million.

Umbarger Dam

Question: You received $806,000 for Umbarger dam modification in 1986. What is the current status of your modification plan?

Answer: The final environmental assessment on the Umbarger dam and spillway modifications was completed in September 1985. That assessment recommended the alternative which may be summarized as involving lowering the existing dam, developing four manageable pools, raising County Road 168 and constructing a downstream bridge. On March 17, 1986, the Bureau of Reclamation provided a cost estimate of $4,283,000. A final report from the Bureau is presently due which provides further design and feasibility information. Completion of drawings and specifications and associated planning activities are expected to take up to another year. Additional construction funding for $1,000,000 is being requested in FY 1987.

Animal Damage Control

Question: Considering ADC constituted a large part of the Southwest region's operations, how has the transfer of ADC operations to Agriculture impacted other operations where dual functions may have been performed?

Answer: The Service plans to review regional operations and will report to the Committee on its findings.

Lower Rio Grande Valley NWR, TX

Question: What is the status of acquisition for the Lower Rio Grande NWR?

Answer: Through FY 1985 the Service has obligated $12,481,000 for the acquisition of 12,353 acres. There is $4,773,000 available for acquisition in FY 1986. As of May 1, 1986, over $4,100,000 of FY 1986 funds have been obligated for the purchase of 3,310 acres.

Question: What is your commitment to acquire through fee or easement over the next five years?

Answer: There is no specific annual commitment for the acquisition of Lower Rio Grande Valley NWR.

Question: Is development of these lands imminent?

Answer: Over 90 percent of the brushlands of the Lower Rio Grande Valley have been converted to agriculture or other commercial uses. The remaining 51,000 acres outside the refuge are generally scattered remnants subject to conversion to agriculture as clearing costs and agricultural demands dictate.

Dexter National Fish Hatchery

Question: What is the visitation at the Dexter aquarium annually?

Answer: The approximate number of public visitors at the Dexter aquarium and hatchery for the last three years was as follows:

Year	Visitors
1983	1,200
1984	1,600
1985	2,000

Question: Did you recently complete construction of a visitor station/facility at Dexter?

Answer: A small display/aquarium building was completed and placed in operation in November, 1983.

Question: You are estimating savings by closing the Dexter aquarium; please explain how you arrived at this figure?

Answer: There is approximately $786,000 within the Hatchery O & M base related to interpretation and recreation (I&R) activities. The $154,000 in savings associated with the proposed aquarium closures represents about 20% of this total. Estimates of savings for the individual aquariums were based on the I & R funds allocated to the hatcheries in the FY 1986 budget and represent an estimate of the annual cost of operating these facilities. This include such things as utilities (electricity for circulating pumps, chillers, heaters, filtration), fish food and drugs, custodial maintenance, and collection of specimens.

Des Plaines Wetlands Restoration

Question: Is the Des Plaines wetlands restoration project completed?

Answer: During FY 1985 and FY 1986 the Service has provided a total of $720,000 for the Des Plaines Wetland Restoration Project. Service involvement will end following FY 1986. The project is scheduled to be completed during the next three years using State and local funding sources. The Des Plaines wetlands restoration project was initiated in FY 1985 through a grant to Wetlands Research Incorporated (WRI). This project involves the reconstruction of riverine wetlands on a 450 acre site bordering a 2.8 mile stretch of the Upper Des Plaines River in Wadsworth, Illinois. Project implementation would be a 5-year, 8 million dollar effort.

In FY 1985, $475,000 was provided by the Service as a grant to WRI. This funding, together with some local and State funds, was used to conduct a baseline survey, engineering design and research planning. Overall, four reports (baseline, design, research plan and management plan) were completed during FY 1985. Additionally, the Service conducted a pre-project habitat evaluation procedures (HEP) analysis.

In FY 1986, the Service provided an additional grant to WRI for $245,000. This funding was intended to complete the baseline needs investigated in FY 1985 as well as to start and monitor initial construction activities. In FY 1987 the Service will no longer provide support to WRI since the project is being supported with State and local funds. The Service will shift emphasis to higher priority wetland-related issues.

Minnesota Refuges

Question: Why are four areas in Minnesota listed to receive funding increases as both new refuges and existing refuges.

Answer: The four Wetland Management Districts in question, Detroit Lakes WMD, Fergus Falls WMD, Litchfield WMD, and Morris WMD, have been in existence for some time and, as such, shared in our request for a refuge operations and maintenance (O&M) funding increase for existing refuges. However, they have all been increasing in size also. Since 1982, the 4 WMD's have grown from 165,160 acres to 176,591 in 1985, an increase of approximately 10%. Thus additional funding was also sought through our requested O&M increase for new and expanded refuges.

Extension Efforts

Question: Are you already conducting some program of extension effort for farm wildlife habitat?

Answer: The Service does conduct extension efforts for farm wildlife habitat. Nationwide, our staff makes hundreds of presentations every year to rural audiences and we occasionally publish articles for farmers and farm leaders. Our Cooperative Wildlife Research Unit at Iowa State University has conducted a very popular series of workshops for farmers on low input farming. Another is planned for next winter with an expected audience of 400-500. We have offered conservation districts access to our lands to harvest grass seed and the use of grass drills for use on Conservation Reserve lands in the Dakotas.

Iron River National Fish Hatchery

Question: Is the Iron River NFH fully operational?

Answer: The FY 1986 appropriation provided $910,000 to complete construction the Schacte Creek unit of the Iron River NFH. When completed in 1987, this unit will provide up to 2.5 million fingerlings annually, or approximately 65-70% of the original planned production capability.

Question: Is additional funding needed to complete this hatchery?

Answer: Completion of the hatchery as originally planned would require approximately $3.4 million for completion of the Middle Creek unit. This unit would provide an additional 1 million fingerlings annually.

Question: Are you fully able to meet the hatchery production required for the Great Lakes lake trout restoration program?

Answer: It is estimated that 9 million fingerlings would be required to optimize restoration efforts in the upper Great lakes. Completion of the Schacte Creek unit of Iron River will increase the Service's production capability for the upper lakes to approximately 8 million fish annually. Completion of the Middle Creek unit would achieve the production goal.

Fish Tumor Research

Question: Is the fish tumor research in the Great Lakes continuing?

Answer: The Great Lakes Fishery Laboratory is continuing this work in the Great Lakes relative to three principle areas--the incidence and significance of tumors in fish populations, the ecological significance of tumors in fish, and the carcinogenic relationship between environmental contaminants and tumors in fish.

Question: What results or indications are you getting from these studies?

Answer: Several general indications are being revealed, although results are preliminary at this time and additional work will be required to verify and further clarify relationships. Elevated incidence of external (skin) and liver tumors have been found in fish from several tributaries and bays of the Great Lakes. Research indicates that the external tumors are usually virally induced, and thus may be poor indicators of chemical contaminants. However, Chemical analyses have shown that contaminated sediments containing several known mammalian carcinogens are present in areas populated by tumor-bearing fish. Extracts of sediments have been subjected to standardized laboratory mutagenic assays. Mutagenic activity has been demonstrated in sediments from several locations where there is a high incidence of tumors in natural fish populations. The laboratory techniques being developed will provide a biological screening test for environmental mutagenesis and carcinogenesis in other aquatic resource areas.

Preliminary ecological studies suggest that tumor-bearing fish are abnormally sensitive to disease and predation and thus could suffer higher mortality from these factors than tumor-free fish. Future studies will continue to investigate these areas in addition to addressing possible relationships between tumors and growth, mortality, and reproduction.

Question: What relationships can be drawn between the fish tumor work and human health?

Answer: The Fish and Wildlife Service studies underway are not intended to investigate or analyze any direct relationships to human health. However, the data developed are available to the Environmental Protection Agency and used in conjunction with other data or studies may be useful as environmental indicators of potential risk to humans.

Fish Hatcheries

Question: The Fish and Wildlife Service is again proposing fish hatcheries for closure. Neosho, Senecaville, and Genoa were all included in earlier proposals. Does their production now meet high Federal priorities or will they likely appear on the next list of cloures?

Answer: Implementation of the FY 1987 budget proposal, which proposes to transfer six hatcheries to State operation, would complete the phasing-out of hatcheries currently considered surplus to Service needs. The remaining hatcheries already address or, over the next several years, will be re-oriented toward the Federal/Service responsibilities delineated in the Service's Statement of Responsibilities and Role for the Fishery Resources Program.

Neosho NFH is part of a three-hatchery complex that produces fish to meet Federal mitigation responsibilities in the Ozark area of Arkansas, Missouri, and Oklahoma. As such, the Congress, in considering the FY 1985 Appropriations Bill, designated Neosho as a Federal mitigation hatchery.

The Service is in the process of realigning fish production programs at Senecaville NFH and Genoa NFH to conform with Federal responsibilities. Both these hatcheries provide fish for fishery management purposes on national wildlife refuges and for mitigation relating to various Federal water projects. Their precise mitigation role will be further clarified through the fishery mitigation analysis/study proposed in the FY 1987 budget request. Senecaville has also been considered for production of striped bass for restoration efforts in Chesapeake Bay, and Genoa produces fish used for research purposes at a number of Service and other research laboratories. The Service has not proposed to transfer or close either of these hatcheries. However, the State of Ohio has indicated an interest in assuming operation of Senecaville. The Service is presently investigating the pros and cons of this request.

Question: What about the physical condition of these three hatcheries?

Answer: The condition of facilities at these hatcheries ranges from good to poor. Fairly extensive facility rehabilitation has been undertaken at Senecaville in recent years and the production facilities are in good to excellent condition. Neosho NFH is in generally acceptable condition. Genoa NFH is an old hatchery; some rehabilitation could be undertaken for optimum production efficiency.

Question: Are repairs needed to keep them in operating condition?

Answer: Senecaville NFH is in generally very good condition and needs no major repairs at this time. Neosho could use major rehabilitation of the water supply lines and water collection basins. Although there are no major leaks at this time, the four mile main supply line, which runs through private property for much of its length, should be upgraded to protect residences along its length. Also, the water collection and mixing chambers should be rehabilitated in the near future. Restoration of Genoa to optimum efficiency would require major redevelopment of the water supply system and the production ponds. The needs at these three hatcheries will be considered relative to other Service needs in the formulation of future budget requests.

Cartegena and Tortuguero Lagoons, Puerto Rico

Question: What is the current status of land acquisition at Cartegena and Tortuguero Lagoons in Puerto Rico?

Answer: A letter was sent April 23, 1986, from Regional Director James W. Pulliam, Jr., Atlanta, GA to Governor Rafael Hernandez Colon requesting assurance that if the Service does not acquire the land, protective status will be maintained. The response from the Governor will influence future acquisition plans for these two areas.

Question: Why have you proposed a rescission?

Answer: The Service initially proposed the rescission based on the Commonwealth's opposition to the Service's acquistion of these lands and their assurance that the Commonwealth would protect them. The basis for their refusal was the Governor's Proclamation of February 5, 1979, which gave protection to Tortuguero, and their assurance that the same protection would be given to Cartegena.

Puerto Rico Activities

Question: What are your current endangered species activities in Puerto Rico?

Answer: Present recovery efforts in Puerto Rico are concentrated on four species, and these are described below:

Puerto Rican parrot: The Service has established a breeding facility at Luquillo National Forest, in cooperation with the Forest Service, where birds are being produced to be released into the wild. In addition, the Service is supporting the establishment of a second aviary at Rio Abajo Commonwealth Forest. This second facility will be run by the Commonwealth in an attempt at starting a second wild population. The Service has also been able to improve on natural nest structures to render them less appealing to pearly eyed thrushes, while providing nest boxes for the parrots in the same area, thereby reducing nest competition between these two species.

Puerto Rican plain pigeon: Supported by the Service, work on the propagation of this species is underway at the University of Puerto Rico by Commonwealth researchers. They have had moderate success but are still in early stages of this work.

Yellow-shouldered blackbird: Most work has been in cowbird control to reduce competition during nesting. With Service support, Puerto Rico DNR has done most of this work. The Service has trapped cowbirds on the Roosevelt Roads naval installation. Recently, Caribbean martins have begun competing with blackbirds for nesting boxes originally designed to inhibit cowbird nest competition, and attempts are underway to redesign the box.

Manatee (in Puerto Rico) - Working with the Service, the Navy has funded survey work around the island, primarily on Roosevelt Roads naval installation and Vieques Island. In addition, the Service is investigating manatee mortality patterns.

For the remaining listed species in Puerto Rico, there have been few recovery activities other than monitoring/survey studies (such as for the Puerto Rican whip-poor-will and sea turtles).

Question: What are the prospects for recovery of these species?

Answer: For the Puerto Rican parrot, there is potential for recovery of the species, but with a total population of only about 60 birds (30 in captivity), much still depends on the success of the two propagation facilities. Work on recovery of the plain pigeon is not as far along as for the parrot, which is in more critical condition (nearly 300 pigeons occur in the wild). Pigeons will also have to be released in the Rio Abajo area, probably after parrot releases are started. The recovery potential of the blackbird is still not determinable, although following several years of continuous decline, the population in Puerto Rico may be stabilizing. The population on Mona Island appears to be in good shape and represents about one-half the total population. Recovery of the Puerto Rican manatee population is a distant possibility.

Question: Is the level of funding available for these species a limiting factor in the rate of recovery?

Answer: Basic factors limiting rates of recovery are biological factors and uncontrolled development. Biologically, there does not seem to be any way to speed up reproductive cycles in Puerto Rican parrots and plain pigeons, and habitat available for repopulation by some of these species has a limited carrying capacity which limits the degree of recovery that can be expected. On top of this, the rapid rate of development or conversion of native habitat is further limiting available habitat for recovery activities.

Question: Why have you proposed a decrease in FY 1987?

Answer: Service funding is supporting captive propagation now being conducted on this pigeon by staff of the University of Puerto Rico for future releases into the wild. A continuing problem is illegal hunting in no hunting zones on mainly private land, resulting in the loss of an undetermined number of birds. The Commonwealth has posted these areas but there appears to be little enforcement activity. To address this problem, the Service will be utilizing the additional law enforcement funds appropriated by Congress in FY 1986 to conduct an intense, one-year public education and identification campaign, consisting of local media coverage about the plight of this pigeon, possible information included in the printed hunting regulations, and increased Service law enforcement presence. This campaign is to be concentrated in FY 1986, so continuation of these funds was not requested for FY 1987. The success of this effort will be measured by a change in the incidence of Puerto Rican plain pigeon mortalities. If it is necessary to continue the work, the Service will explore alternative avenues of public awareness and deterrence within base funding levels.

Puerto Rico Activities

Question: What is the staffing for law enforcement officers in Puerto Rico?

Answer: At the present time, the Service employs one Special Agent and one Wildlife Inspector stationed in San Juan. A second Special Agent retired in January 1986. Later this fiscal year, another Wildlife Inspector will be hired in San Juan to absorb the growing import/export activity currently being performed by a Special Agent. Increased law enforcement demands have been successfully met during FY 1985 and early FY 1986 by periodic assignment of special agent task forces.

Question: How does the staffing level compare to Congressional Direction?

Answer: In response to specific Congressional language to assign one additional FTE to Puerto Rico, an agent was transferred to San Juan in FY 1985, making a total of two Special Agents and one Wildlife Inspector on the island. Rather than hire a Special Agent to fill the existing vacancy, a second Wildlife Inspector will be hired later this Fiscal Year to handle the increasing demands of the import/export market.

Southeast Land Acquisition

Question: What is the status of acquisition of the Atchafalaya project?

Answer: An agreement has been reached with the principal landowner at Atchafalaya NWR to acquire 15,255 acres at a cost of $11,065,618.

Question: Will you be spending the full $10M that was appropriated for this purpose?

Answer: The entire $10 million appropriation will be obligated. A reprogramming proposal to obtain additional funding is under consideration.

Tensas River NWR Forester and Construction

Question: What is the status of providing a forester to Tensas River NWR?

Answer: Forester Larry Moore reported for duty at Tensas River NWR on April 28, 1986.

Question: What is the status of construction at Tensas River?

Answer: A contract was recently awarded to construct an office/visitor center; completion is expected by March 1987. Design and specifications have been completed for maintenance facilities consisting of a shop, pole shed, fueling facility, oil and paint building and wash pad. Negotiations for a Minority Business Enterprise contract are underway. The target date for contract award is May 20, 1986, and construction is scheduled for completion by February 1987. Design is complete and bids are being prepared for the bridge construction project which is expected to be complete by March 1987.

Cape Romain Staffing

Question: Did you provide three additional FTE's to Cape Romain?

Answer: The Fish and Wildlife Service evaluated the staffing needs at Cape Romain and determined that no additional staff is needed at this time.

Question: If not, why not?

Answer: The current staff at Cape Romain is comparable to staffing levels at other refuges of similar complexity of programs and operation. The staffing pattern at Cape Romain has been relatively stable over the last few years.

Bogue Chitto Visitor Center

Question: What is the status of the plan for a visitor's center at Bogue Chitto?

Answer: Final design specifications for the office/visitor contact station building are now being prepared and will be completed this fall.

Question: When will you request funds?

Answer: It is uncertain at this point when funding will be sought for this particular project. In FY 1985 Congress appropriated $441,000 for the construction of an office/visitor contact station building at Bogue Chitto NWR. Since then, detailed planning has shown that the proposed building would cost an estimated $989,000. However, administrative/visitor contact facilities at Bogue Chitto are a lower priority. Most new construction projects involve high priority health and safety related items.

Loxahatchee NWR

Question: What is the status of the deer hunt on Loxahatchee NWR?

Answer: The Fish and Wildlife Service has no plans at this time to conduct a deer hunt on Loxahatchee NWR.

Arkansas Hatcheries

Question: What is the potential to increase production at the Norfork hatchery and Greers Ferry hatchery?

Answer: The Service is currently examining the programs at Norfork and Greers Ferry National Fish Hatcheries in response to a directive contained in the report of the Senate Appropriations Subcommittee for Interior and related Agencies on the FY 1986 appropriation bill. This examination will include a review of the current program in terms of maximizing operational efficiency; a review of the fishery management objectives so as to optimize the public benefits (fishing) provided by available production capability; and an examination of expansion potential, alternatives, and estimated cost. Also, the Service intends to review the legislative history of the water development projects in the White River basin under which these hatcheries were constructed in order to clarify the intended mitigation associated with these projects. The extent of the Federal (mitigation) fish production responsibility can then be firmly established and the priority of Norfork/Greers Ferry expansion versus other FWS fishery needs clarified.

Question: What is the status of your study on this issue:

Answer: We anticipate an initial draft of the report will be completed about June 15. The final report is to be completed and submitted to the Subcommittee by September 30, 1986.

Southeastern Cooperative Wildlife Disease Study

Question: What is the impact of reducing the Southeastern Cooperative Wildlife Disease Study in Georgia?

Answer: Eliminating Service funding for the SCWDS will impact the level of diagnostic and other disease-related support that this group provides various southeastern States. However, most of the activities of the SCWDS involve resident wildlife species outside Service jurisdiction. It is expected that individual States will compensate for the termination of Service support by providing additional funding for projects they consider to be high priority. It is not anticipated that this action will adversely impact wildlife species under Service jurisdiction, as the National Wildlife Health Laboratory in Madison, Wisconsin is able to respond to disease outbreaks in these species as they occur.

Field Station Discrepancies

Question: Please explain the discrepancy in the numbers for Boque Chitto as shown on page 82 of the Justification and Page nine of the Field Station List?

Answer: The funding information provided in the field station listing represents total funding from all Resource Management appropriations within the Service. The funding information of concern, presented in the narrative in the justification, is only refuge operations and maintenance funding. The Boque Chitto listing is comprised of the following detail:

($000)

Program/Activity	FY 1985	FY 1986	FY 1987
Refuge O&M 1/	233	216	367
Boque Chitto NWR	(122)	(117)	(268)
Delta NWR	(111)	(99)	(99)
YCC	2	2	
Field Station List - Totals	235	218	367

1/Delta NWR and Bogue Chitto NWRs are managed as one project (i.e., funding is not segregated)

The FY 1986 figure for Boque Chitto NWR is the same as that presented on page 82. The FY 1985 figures represent actual expenditures, including one time redirected funds, while the FY 1986 and FY 1987 figures represent planned expenditures of base and increase funds.

Question: The numbers for Bon Secour are also inconsistent. Please explain?

Answer: The funding detail for Bon Secour NWR is as follows:

($000)

Program/Activity	FY 1985	FY 1986	FY 1987
Refuge O&M	79	48	154
YCC	5	5	
Field Station List - Totals	84	53	154

The information on page 82 is correct, Bon Secour NWR has $43,000 of base funding. In addition, they have $5,000 of one-time funds for fire equipment and habitat development for the Alabama beach mouse.

Question: On page 84 you show an increase for Choctaw NWR but the Field Station List shows a decrease. Please explain?

Answer: The funding detail for Choctaw NWR is as follows:

($000)

Program/Activity	FY 1985	FY 1986	FY 1987
Refuge O&M	173	117	124
YCC	11	11	
Field Station List - Totals	184	128	124

The increase from $117,000 to $124,000 in O&M funding represents the $5,000 requested as part of the proposed increase for existing refuges and $2,000 of one-time funding for safety equipment.

Question: Shouldn't all the numbers be consistent between the Justification and the Field Station List?

Answer: Yes, the numbers should be consistent between the justification and the Field Station List, and the Service strives to be as accurate as possible in the presentation of its budget justification documents.

Question: If so, could you please explain the general inconsistencies?

Answer: The apparent inconsistencies disappear when the field station figures are broken down into the individual program/ activity figures as previously described. Additionally, funds reallocated annually between stations, such as the Accelerated Refuge Maintenance Management funds or Resource Problems funding, tend to mask base funding figures.

Endangered Species

Question: Please discuss the impacts of the red wolf reintroduction at Alligator River NWR.

Answer: The Alligator River NWR comprises 120,000 acres of swamp forests, pocosins, and freshwater and salt marshes. By the spring of 1987, it is planned that three pairs of mated red wolves will be released on a two-week staggered schedule onto the refuge. They will be monitored via telemetry tracking for the first four-to-six weeks, then the frequency of monitoring will be gradually reduced after each pair has established a home range. Although the refuge manager is responsible for these animals once they are on site, another staff person will be assigned to monitor movement and progress of the animals as they become acclimated to their new environment. This additional employee will reduce the interference that the wolves may cause to the current staffs' day-to-day operations, while the wolves themselves are expected to have minimal impact on existing refuge programs. Multi-use of refuge facilities will continue at the same level as currently exists after wolf reintroduction. Hunting activity will not be curtailed. Greater public awareness of the refuge is expected with the publicity surrounding this action, and the refuge can expect greater public visitations and public relations responsibility as a result.

Question: What is the status of the Florida panther recovery efforts?

Answer: The current recovery plan for the Florida panther lists recovery tasks that should lead to recovery of the species. One task, to determine habitat requirements by studies on movement, food habitats, and population dynamics, has been partially satisfied as a result of the three-year survey completed in 1985. Also, since 1982, the State has attached radio-telemetry collars to 13 panthers in the wild. These studies have provided information on movement and areas of high panther use in South Florida that has already been valuable in Section 7 consultations, and will provide important information for management of the species. The task to provide needed habitat and range will be partially satisfied by the acquisition of Fakahatchee Strand. Implementation of a task to re-establish Florida panthers into areas of suitable habitat is currently being developed by the Florida Game and Freshwater Fish Commission. The State has been issued a wildlife permit that allows the take of wild female panthers once preliminary studies have been conducted using the male now in captivity. Consultations under Section 7 of the Endangered Species Act have been effective in modifying Federal actions (specifically the planned expansion of I-75 across South Florida, and gas and oil exploration in that area) that would have negatively impacted panther habitat. The Service is participating in the development of an interagency panther coordinating committee, that also includes the National Park Service, Bureau of Indian Affairs, Florida Game and Freshwater Fish Commission, and the Florida Department of Natural Resources. Finally, the Florida Panther Recovery Plan is currently under revision, with a final draft expected by September 1986.

Question: What is the status of the Fakahatchee acquisition?

Answer: Approximately $6.9 million is available for the purchase of Fakahatchee Strand ($3 million carried over from FY 1985, plus just under $4 million in FY 1986). The Service is still negotiating with landowners over price. In addition, the Service is involved with the Department in a land exchange/purchase agreement for this property. No timeframes are yet known for either set of negotiations.

Question: Have you completed the Key Largo HCP?

Answer: No, not yet. However, there is a draft plan dated March 20, 1986, that is now being reviewed by the North Key Largo Habitat Conservation Plan Committee.

Question: Has a copy been provided to the Committee?

Answer: Upon completion of the North Key Largo Habitat Conservation Plan, a copy will be separately sent to the Committee.

Chesapeake Bay

Question: What is the Service doing related to the Chesapeake Bay clean-up?

Answer: The Chesapeake Bay cleanup is a multi-agency effort coordinated by EPA. The focus of the Service efforts is on assessing the effects of point and non-point sources of pollution on the fish and wildlife resources of the Bay, especially on submerged aquatic vegetation, waterfowl, anadromous fish, shellfish and endangered species. Specific Service tasks include: 1) developing programs, in conjunction with USDA and State agricultural agencies, that will reduce impacts of agricultural non-point source pollution on the Bay, 2) developing programs to reduce or eliminate releases of toxic materials into the Bay, 3) documenting trends in the fish and wildlife resources of the Bay, 4) evaluating the potential for hatchery production and stocking of striped bass to restore self-sustaining populations in the Bay, and 5) increasing information transfer to public and private entities.

Service investigations are being conducted largely on a watershed basis. Point source pollution studies have focused on the James, Elk, Chester and Potomac Rivers and the Patapsco, Magothy and Elizabeth watersheds. Non-point source studies have been concentrated on the Choptank River drainage. Best management practices for non-point sources (including urban development, agricultural practices and road construction), have been addressed in all watersheds. Photointerpretation and mapping of submerged aquatic vegetation have been conducted for the entire Bay region. National Wetland Inventory products have been especially helpful in evaluating trends for the Bay's wetland resources.

Question: What efforts has the Service made to establish the cooperative fish and wildlife unit at West Virginia University?

Answer: The cooperative agreement establishing the fish and wildlife unit at West Virginia is being developed and will be approved by all cooperators by the end of FY 1986. Recruitment for personnel to staff the unit is in process.

Northeast Fishery Center

Question: The Committee provided $5.5 million for construction of the Northeast Fishery Center. How will this lab be of benefit to the resource?

Answer: The benefits initially will relate primarily to the major Federal/State restoration efforts underway to re-establish Atlantic salmon in northeastern United States streams. Some specific research needs identified by resource managers to accomplish Atlantic salmon restoration goals that will be undertaken at the Northeastern Anadromous Fish Research Laboratory include genetic identification and stock evaluation; freshwater interspecific and intraspecific competition and interaction; methods for predicting run size; effects of environmental factors on upstream and downstream migration rates and fish survival; and physiological parameters of smoltification; and the effects of environmental stressers on survival and migration patterns.

Question: What is the current status?

Answer: An environmental assessment has been completed and public meetings are being held to inform the public regarding the proposed project. Necessary topographic and archaeological studies of the area are presently underway. A general research program has been scoped out and preliminary site and building plans have been developed accordingly. The Service is presently preparing an Architectural/Engineering (A&E) bid solicitation for detailed construction planning and design. However, an A&E contract cannot be issued until the Service acquires formal ownership of the land, geological evaluations of the site are completed, and the necessary construction permits are obtained. It is anticipated that planning and design will be completed and construction can be initiated by September 1987.

Cape Charles Land Acquisition

Question: What is the status of Cape Charles acquisition?

Answer: Five hundred seventy-five acres have been acquired at the Eastern Shore of Virginia National Wildlife Refuge, commonly referred to as Cape Charles. The acquisition comprises 179 acres transferred from the Air Force in 1984 and 396 acres acquired in FY 1986 with the appropriated $2,511,000.

Question: Do you anticipate development of a training facility at Cape Charles?

Answer: There are no plans to develop such a facility. The Service has adequate existing training facilities as well as the use of various private sector facilities which make development of a new facility unnecessary. It would be more appropriate for State or private entities to fund and develop a training center if they consider it essential. Further, the national need for such a facility and its cost-effectiveness has not been demonstrated.

Atlantic Salmon Facilities

Question: Has the Service made the necessary repairs at the Nashua NFH?

Answer: Funding has been provided for essential repairs necessary to maintain fish production at Nashua NFH. The specific projects, either underway or scheduled in FY 1986, include roof repair, replacement of the well house, and replacement of the concrete tanks in the hatchery building.

Question: What is the cost of these repairs?

Answer: Approximately $61,000 in hatchery maintenance funds have been allocated to Nashua in 1986 to cover the cost of these projects.

Question: What is the maintenance shortfall at facilities supporting Atlantic salmon restoration?

Answer: Approximately $100,000 has been allocated in both FY 1986 and FY 1987 for maintenance projects at the Atlantic salmon hatcheries. This will address those needs essential for maintaining current production levels. There are additional, less essential, projects/needs that would be addressed with optimal funding. An accurate inventory of this backlog and an estimated cost will be available upon completion of the facility surveys now in progress as part of implementation of the Service's Maintenance Management System. There are also various major rehabilitation actions proposed for the Atlantic salmon hatcheries, such as the remodeling of a residence at Nashua NFH for office and visitor facilities thereby allowing conversion of the present office and visitor facilities in the hatchery building to additional rearing tanks, that will be considered relative to other Service needs in the formulation of future budget requests.

Irrigation Drainage

Question: Do you know if there is a serious selenium contamination problem on any Service lands besides Kesterson NWR?

Answer: There are no known serious selenium contamination problems on any Service lands except Kesterson NWR. A recent report on contaminant issues of concern on NWR's did not identify any other "Kesterson-like" situation. However, a number of refuges were identified as needing in-depth monitoring and analysis of impacts due to irrigation drainage. These refuges were identified to the Department's Irrigation Drainage Task Group and were placed on the list of sites requiring further study.

Question: Are you involved in the effort to evaluate the impacts/effects of irrigation drainwater on wildlife?

Answer: As a member of the Task Group, the Service has lead responsibility for evaluating the impacts/effects of irrigation drainwater on wildlife. In addition, we have conducted and continue to conduct research in this area at Kesterson NWR/San Joaquin Valley and at our Columbia National Fisheries Research Laboratory and Patuxent Wildlife Research Center.

Question: We understand that you have identified high priority areas requiring irrigation drainage studies. What are these areas?

Answer: The Department's task group on irrigation drainage identified 19 sites that require additional study. These areas and their locations are:

Site Name	State	Refuge
Lower Colorado & Gila River Valley*	AZ-CA	Imperial, Cibolt, Havasu NWRs
Imperial Valley *	CA	Salton Sea NWR
Tulare Lake Basin *	CA	
Milk River *	MT	Bowdoin NWR
Sun River *	MT	Benton Lake NWR
Stillwater WMA *	NV	Stillwater WMA
Laguna Atascosa *	TX	Laguna Atascosa NWR

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Site Name	State	Refuge
Middle Green River *(Stewart Lake)	UT	Browns Park & Ouray NWRs
Kendrick Project *	WY	
Upper Sacramento	CA	Sutter, Butte Sink, Colusa, Delvan, Sacramento NWRs
Gunnison River	CO	
Middle Arkansas River	CO-KS	
American Falls Reservoir	ID	Bear Lake NWR
Malheur NWR	OR	Malheur NWR
Klamath Basin Refuge Complex	CA	Lower Klamath & Tule Lake NWRs
Middle Rio Grande	NM	Bosque del Apache NWR
Angostura Unit	SD	
Belle Fourche Project	SD	
Riverton Unit	WY	

* To be initiated in FY 1986.

Question: How will these studies be funded in 1986 and 1987?

Answer: Funding for FY 1986 and FY 1987 will come from DOI bureaus involved in the irrigation drainage issue. The funding needs will be divided among five DOI bureaus (BR, USGS, FWS, BLM, and BIA).

Waterfowl Restoration

Question: Of the funds requested for waterfowl restoration efforts in 1987, how much will be dedicated to breeding rather than wintering?

Answer: The following tables illustrate the estimated breakdown of the $5,051,000 for waterfowl restoration efforts within Population Management and Research and Development between wintering and breeding habitat.

Population Management

	($000)	
Activity	Wintering Habitat	Breeding Habitat
Extension Effort for Farm Wildlife Habitat	200	
Increase Waterfowl Production on and off Service Lands		700
Management/Protection Waterfowl habitat	150	700
Canada Goose Management	250	
TOTAL	600	1,400

Research and Development

	($000)		
Activity	Wintering Habitat	Breeding Habitat	All Life Stages
Non-Hunting Mortality of Waterfowl	800	600	
Improve Methods for Estimating Waterfowl Populations		600	
Waterfowl Population Models and Data Analysis			1,051
TOTAL	800	1,200	1,051

Question: Please explain how you will use the additional funds to restore and enhance current production?

Answer: The proposal includes $2 million in Population Management for Waterfowl Production and Habitat Management. These funds will be used for leases on private land, development of wetlands, enhancing nesting cover, installing and maintaining nest structures, encouraging biological farming, providing technical assistance to landowners, conducting surveys, regulation management, and data analysis.

The proposed increase in wildlife research is designed to accelerate waterfowl research in three major categories: nonhunting mortality, population estimation, and modeling. Disease, predation, contaminants, habitat alteration and other factors unrelated to hunting, contribute substantially to the continuing decline in continental populations of waterfowl species. Research is proposed in breeding and wintering habitats to address these problems. In addition, research is proposed to improve or develop new methods to accurately monitor waterfowl populations, production and harvest. Improved reliability of our monitoring program will facilitate our management efforts. In addition, expanded modeling research will enable the Service to predict with greater accuracy the effects of management and natural events on waterfowl populations.

North Dakota Wetlands Study

Question: What is the status of the North Dakota Wetlands quantifications study?

Answer: An agreement to specify the criteria for quantifying pre-1976 wetland easements is now being worked on with the State. These negotiations are expected to be completed this summer.

Question: Has the Service successfully negotiated an agreement with the Governor of North Dakota related to wetland quantification?

Answer: The Service negotiated an umbrella agreement with the Governor in November 1985 to quantify wetland easements and address other wetland acquisition and management issues specified in the joint FWS-North Dakota Migratory Bird Habitat Acquisition Plan. An amendment to this plan is now being negotiated to establish the criteria for pre-1976 wetlands quantification.

Black-footed Ferret

Question: What is the status of research and recovery efforts for the black-footed ferret?

Answer: At present, six ferrets (four females, two males) are being held in captivity at the Sybille Research Center, near Laramie, Wyoming. Perhaps no more than six additional animals remain in the wild near Meeteetse, Wyoming. It appears that many animals were lost from the Meeteetse population in 1985 due to canine distemper. Currently, research and recovery efforts include development of captive breeding at Sybille (facility and techniques), monitoring of the wild population at Meeteetse, searching for additional wild populations throughout likely current range, and training and certification of individuals on Service-approved survey methods.

Question: What is the Service funding for this effort in 1986 and 1987?

Answer: For recovery and research on the black-footed ferret, the Service has budgeted a total of $344,000 in FY 1986, and $291,000 is requested in the FY 1987 President's budget. In addition, $320,000 in Section 6 funds has been granted to five States for FY 1986.

Grizzly Bear

Question: What is the status of the grizzly bear studies directed by the Congress during the 1986 Appropriations process?

Answer: The Service awarded a contract last year to the National Wildlife Federation (NWF) for the development of a "state-of-the-art" research compendium. Work began in August 1985, and completion is due by August 1986. Currently, a bibliography with over 1,100 references is available, as are lists of keywords, geographic indicators, and a citation list. NWF is now working on the narrative summary.

The study on the documentation of "best" habitat was completed December 1984 for the Yellowstone Ecosystem. This information is now being integrated into a cumulative effects analysis process, so land managers can realize the importance of all impacts on grizzly bear behavior. This is a computer-based model being developed by the Forest Service, with a model to be field tested this summer, and probably operational for Yellowstone then, and for other ecosystems in the next few years (work is underway for the Northern Continental Divide, Cabinet Mountains, Selkirk Mountains, and Selway-Bitterroot). The model integrates all data on habitat, bear use, and human impacts, with map overlays.

The second year of studying the impacts of backcountry recreation use on grizzly bear behavior and habitat was completed in October 1985. The Interagency Grizzly Bear Committee (IGBC) is now reviewing the scope of this year's study. The third year study would be more detailed, possibly involving the monitoring of impacts of Yellowstone Park tourists in the backcountry, rather than field crews. Data to date show that bears are in fact avoiding people in the backcountry more than previously thought. This proposed third year work would document behavior of avoidance and its physiological impact on reproduction and/or survivorship. Final decisions on this proposal are awaiting National Park Service evaluation.

FY 1986 represents the third year of studying the effects of road use on grizzly bear behavior and habitat, the analysis stage. The first report was completed in March 1985 on FY 1984 work. FY 1985 field work is now being analyzed, with a report due September 1986. The Service is still tracking bears in the area, as road impacts continue in the North Fork of the Flathead River, Northern Continental Divide Ecosystem. A big coal mine is proposed in British Columbia, in the middle of the study area where there are 13 radio-collared bears. The International Joint Commission of U.S./Canada on environmental activities is now studying the impacts of the proposed mine. The road study report is to be completed in September 1986.

Question: Are you involved with establishing new grizzly bear populations in any management units at this time?

Answer: No new grizzly bear populations are being established and no augmentation of existing populations is being conducted at this time.

Question: Have any General Management Plans (FWS, NPS, FS) been adopted providing for such augmentation?

Answer: A proposal for augmentation in Kootenai National Forest will be discussed in the Environmental Assessment now being developed by the Forest Service, in cooperation with the IGBC. This planning document will fully meet NEPA requirements, including public involvement and review. Completion of this document is expected around August-September 1986, including details on any proposed augmentation of the existing Cabinet-Yaak grizzly bear population in extreme northwestern Montana.

Question: The FWS budget does not provide for this activity. Did the Service request a reprogramming through this Committee for this purpose?

Answer: The Service has not requested funding for augmentation of grizzly bear populations to date. The Service, in compliance with Section 314 of the General Provisions of the FY 1986 Appropriations Act, is not currently engaged in funding any grizzly bear augmentation activities. At this time, the Service does not currently anticipate the need for additional funding for the potential augmentation mentioned above. However, if the Environmental Assessment supports augmentation when the NEPA process is completed and all public comment is evaluated, the Service will then formally request that existing grizzly bear recovery funds be redirected to Montana State augmentation activities in the Cabinet Mountains.

Question: Was the Senate involved with public meetings and publication in the Federal Register of designating this new population?

Answer: No public meetings have yet been held or scheduled on the management plan (which includes the potential grizzly bear augmentation) for the Kootenai National Forest. As indicated above, the Forest Service is currently working on an Environmental Assessment for this forest, and completion is expected by late summer (including Federal Register documentation). There has been no direct Senate involvement in this planning process yet, as the proposal to augment the Cabinet-Yaak grizzly population is still being being developed and evaluated.

Question: What is the status of the grizzly bear recovery plan?

Answer: The revised grizzly bear recovery plan is scheduled for completion by the end of FY 1986.

Grazing Fees

Question: Has the inequity in grazing fees for Federally managed land been resolved?

Answer: Substantial differences still exist between grazing fees charged by the Service and other Federal agencies. Grazing fees charged by the Service are based on the local market value while other agencies are required to set their rates based on a formula established by Congress. That formula considers other factors besides the local market value and tends to hold rates at lower levels.

Question: What is the current/average rate in Service lands as opposed to BLM lands?

Answer: Grazing fees vary widely on Service lands according to the local circumstances that exist on individual refuges. In the western States, the fees range from approximately $2.00 per animal use month (AUM) to $13.75 per AUM. In the intermountain region the average rate per AUM is $6.95; in the far west region the average rate per AUM is $5.20. On BLM lands the grazing rate is $1.35 per AUM, set by Presidential Executive Order #12548 signed on February 14, 1986.

Question: Could you explain why there is a vast difference in these rates?

Answer: The Service administers grazing on National Wildlife Refuges under the National Wildlife Refuge System Administration Act of 1966, as amended. Grazing rates, as with all "specialized uses," are established at fair market value based on OMB, Department, and Service policy. Base grazing rates are established after a thorough survey of the local market is conducted to determine comparable products/privileges. Once the base rate is established, it may by applied in one of two ways. It may be used without annual adjustment until the next complete base rate survey is conducted; or it may be used with annual adjustments that take into account annual changes in beef prices.

Livestock grazing fees on public rangelands are administered under the Public Rangelands Improvement Act (PRIA) of 1978 by BLM, U.S. Department of the Interior, and the Forest Service, U.S. Department of Agriculture. PRIA established the formula for determining the grazing fee to be charged on public rangelands. The formula, which retained the 1966 base value of $1.23, is updated annually through a series of indexes that measure changes in the private grazing land lease rates, the price of beef cattle, and the costs of livestock production. By including the indexes of the costs of beef production and beef prices, Congress intended to implement a formula based, in part, upon a permittee's ability to pay.

Beulah Fish Technology Center

Question: It has come to the Committees attention that the Service is proposing the closure of the Beulah Fish Technology Center in Wyoming in FY 1986. Is this closure a result of the Gramm-Rudman-Hollings reductions?

Answer: No. The Service recently completed an evaluation of the programs at the Beulah and Bozeman, Montana, fishery technology centers in an effort to increase efficiency of operations. It was concluded that combining the functions of the two centers at Bozemen would be advantageous in terms of enhancing the technical functions and would eliminate the need for significant facility rehabilitation and maintenance costs that would be required at Beulah in the near future. Accordingly, the Service has prepared a reprogramming proposal that would combine the activities and personnel from both centers at Bozeman. The fishery facilities at Beulah would then be made available for use by the Wyoming Department of Fish and Game under a cooperative agreement for State fishery purposes. The other lodge facilities would continue to be used by several other cooperators who presently operate them under cooperative agreement with the Service. No present activities would be terminated; all personnel would be transferred and all current fishery functions would be continued at Bozeman.

Question: In addition, you are proposing increasing fishery assistance efforts at Lander, Wyoming. Several years ago, you proposed this station for closure and this Committee concurred with your recommendation. Why is it now appropriate to revisit this issue?

Answer: Service funding for the Lander Fishery Assistance Office (FAO) was terminated several years ago on the basis that the work was primarily Tribal-related and should be funded by the Bureau of Indian Affairs (BIA). Congress agreed with this, but did not close the Lander FAO. Rather, Congress provided funding through the BIA to continue the operation of the Lander FAO on a reimbursable basis.

Combining the Beulah and Bozeman technology centers will provide some limited operational savings. As part of its proposal, the Service plans to shift approximately $14,000 in savings to Lander FAO to address refuge fishery management needs and other high priority Service fishery responsibilities that can best be addressed from Lander.

Subsistence Grants

Question: What impact will the proposal to eliminate subsistence grants have on the State of Alaska?

Answer: Reduction of $1 million from a $5 million total State subsistence program represents a 20% reduction in "base funding." This reduction in funding may mean some lower priority studies will be curtailed and some information concerning the management of subsistence may not be available. Reduced funding for the State Division of Boards may reduce public participation in local and regional fish and game advisory councils.

Question: Aren't you bound by law to provide funding to the State for this program?

Answer: Although Section 805(e) of ANILCA authorizes the Secretary of the Interior to reimburse the State for reasonable costs related to the implementation and management of a subsistence program, such funding must be appropriated by the Congress for that purpose. The FY 1987 Budget proposes to delete this funding on the grounds that it is unnecessary for the continued operation of the State of Alaska's subsistence program.

Question: Will their current subsistence program be able to continue without change?

Answer: The State's current subsistence program will need to be scaled down in accordance with budget reductions. As mentioned above, some studies may be curtailed and public participation in advisory councils reduced.

ANILCA Comprehensive Conservation Plans

Question: ANILCA required completion of Comprehensive Conservation Plans on all Alaska refuges by December 1987. This time frame means that FY 1987 is the last full year to work on the plans. Will final plans be completed within the schedule or will some plans still be considered as drafts?

Answer: Our current schedule provides for completion of the CCP's and wilderness reviews by December 1987, in accordance with the schedule mandated by ANILCA.

Goose Education Program

Question: How will you maintain an education program involving ten information technicians for 52 villages with a budget of only $50,000?

Answer: Considerable progress has been made in the goose education program during recent years. Consequently, the level of effort needed to sustain this program is reduced as awareness and sensitivity to this resource issue increases. The Service is satisfied that continued progress will be made and the program will be adequately maintained with the requested $50,000.

Exploration on Arctic NWR

Question: Is there any exploratory oil and gas activity being conducted on the Arctic NWR this year?

Answer: A seismic program has been completed on Kaktovik Inupiat Corporation (KIC) lands and lagoons north of the 1002 area and within the exterior boundary of the Arctic NWR. Work on the exploration well on KIC lands has continued this year and may need to be continued for a third season. No further exploratory work will be allowed in the 1002 area, until Congress acts on the 1002(h) report now being prepared. Further geological exploration may be permitted on other portions of the Arctic NWR outside the 1002 area, subject to a site-specific determination of compatibility.

Status of 1002 Report

Question: What is the status of the report to Congress required by Section 1002 of ANILCA?

Answer: An internal review draft has been completed and comments have been received. These comments are being analyzed, and where appropriate, will be incorporated into a second draft that will also be circulated for internal review. The statutory deadline for submitting this report to Congress is September 2, 1986. However, the schedule for meeting this deadline has become uncertain because of the February 18, 1986, U.S. District Court ruling requiring public review of the report prior to its submittal to the Congress. The Department is currently appealing this decision, and the actual date of the report's submission to Congress is dependent upon the outcome of this appeal.

Fox Eradication

Question: Discuss the 1080 fox eradication project on Kiska, including 1987 work, and reduced funding levels for other Aleutian Canada goose work.

Answer: In the fall of 1985, the Service received an Experimental Use Permit (EUP) from EPA to use single lethal dose (SLD) 1080 drop baits for Arctic fox eradication on Kiska Island, in the Aleutian Islands NWR. Conditions of the permit include pre- and post-treatment surveys of foxes and nontarget species, as well as the use of the baits for two consecutive winters. In late March-early April 1986, the baits were placed and preliminary results indicate a high level of success. However, the results will not be known with any certainty until the required June post-treatment survey is completed. The baiting and post-treatment survey is to be repeated in 1987, as required by the EUP. It is hoped that the two-year program will effectively eradicate foxes from Kiska (thereby allowing the Service to reintroduce Aleutian Canada geese to this island where they formerly nested), as well as provide data for permanent registration of SLD 1080 drop baits on other fox-inhabited islands in the Aleutians.

In FY 1987, the capture and transplant of Aleutian Canada geese being done at Amchitka Island will temporarily cease, and levels of monitoring and nest surveys on other goose-inhabited islands will be reduced. These activities will then be resumed upon completion of the fox eradication program at Kiska. The fox eradication work on Kiska is a short-term program of high priority for goose recovery, requiring total compliance with the monitoring requirements of EPA's Experimental Use Permit and takes precedence over other ongoing recovery work. This delay in implementing the goose recovery actions described above is not expected to have any adverse impacts on the overall recovery program for this species.

Salmon Treaty

Question: What is the status of the Yukon River investigations related to the US/Canada Salmon Treaty?

Answer: To prevent duplication of research efforts among involved agencies, the U.S. and Canadian delegations to the Yukon River negotiations have established a Joint Technical Committee comprised of Canadian, State, and Federal fisheries scientists. The Committee identifies and ranks research needs and coordinates all field investigation pertaining to the Yukon River stocks. Field studies relating to U.S. sections of the river are conducted by the Fish and Wildlife Service and the Alaska Department of Fish and Game, who are both members of the Joint Technical Committee. The Service's contribution to this effort is conducted out of the Fisheries Assistance Office in Fairbanks, Alaska, which is in the second year of field investigations of the distribution of Yukon River salmon stocks. Preliminary information indicates wider than anticipated distribution of chinook and fall chum stocks in Yukon river tributaries, which is significant information relative to the U.S. position on allocation of Yukon river stocks. Future Service investigations will be directed, in close concert with State investigations, toward quantifying and indexing spawning escapement and juvenile recruitment, to further substantiate salmon production in U.S. waters of the Yukon basin. The FY 1987 budget continues Service funding for these investigations at approximately $144,000, the FY 1986 level.

Comprehensive Database for Western Energy Development

Question: A number of major energy development projects are currently underway or planned in the Western portion of our country. What impact do you expect on fish and wildlife resources as a result of the development of energy resources in the West?

Answer: Major energy activities in the Western U.S. include coal and hydropower development. Other potential activities include tar sands, oil shale and geothermal development. Major energy development impacts may include:

Large scale, long term alteration of wetlands;
Increasingly scarce water supply;
Degradation of air and water quality; or
Physical destruction of terrestrial and aquatic habitat.

Unless carefully designed and managed, hydro-power development in the western States may have significant detrimental impacts upon stream habitat and fishery resources. Another possible threat is the cumulative impact of multiple hydro projects in the headwaters of major spawning and rearing streams in western river basins.

Question: What is the extent of natural areas, such as wildlife refuges, wilderness areas and National parks, in the West, and where are they located relative to energy reserves?

Answer: Ninety-nine National Wildlife Refuges and approximately 61 National Parks and Monuments are located in the Western United States. Energy development such as oil and gas exploration and development is occurring within a number of refuges.

Question: Is there a comprehensive database to support the economic development of Western energy reserves that also ensures wise management decisions will be made for the protection of natural areas?

Answer: No comprehensive database exists, that we know of, which would support the planning and economic development of western energy reserves while ensuring ecologically sound management decisions. Regional databases (e.g., Powder River coal region of NE Wyoming and SE Montana) are wiser from a cost efficiency and management effectiveness standpoint than one comprehensive database. Some information exists that could assist planners and decision-makers. These include the National Wetland Inventory (maps, plant species database, wetlands values database and wetlands classification), the Ecological Inventory of the Atlantic, Gulf and Pacific coasts; the River Reach Directory; and surface cover or habitat inventories for thousands of square miles in the western coal and oil shale regions. These databases are maintained by the Service.

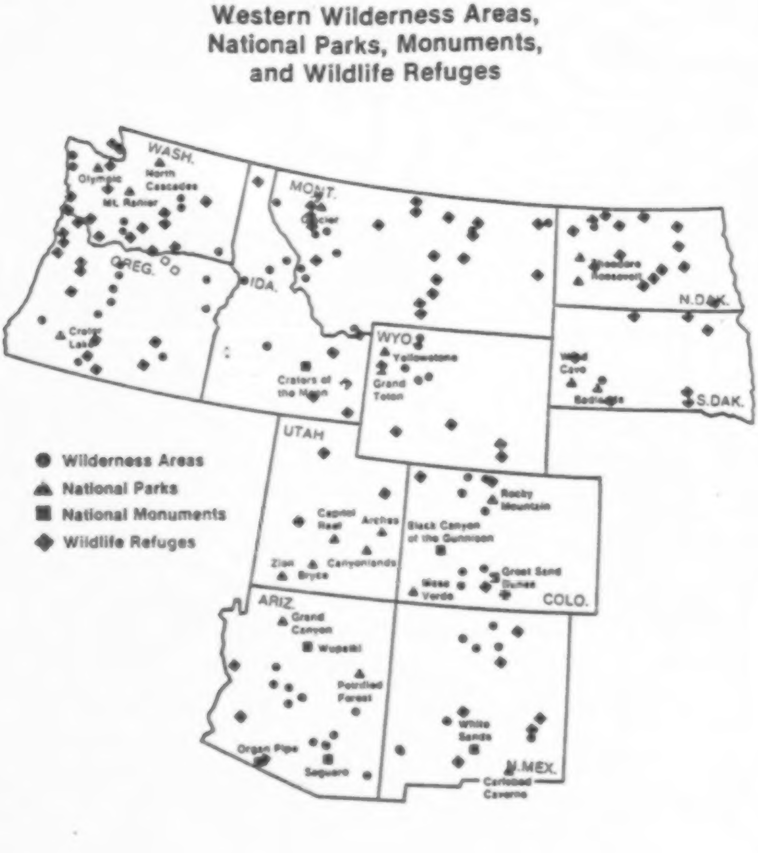
Western Wilderness Areas,
National Parks, Monuments,
and Wildlife Refuges
WASH.
Olympic
North Cascades
Mt. Ranier
OREG.
Crater Lake
IDA.
Craters of the Moon
MONT.
Glacier
N.DAK.
Theodore Roosevelt
WYO.
Yellowstone
Grand Teton
Wind Cave
Badlands
S.DAK.
UTAH
Capitol Reef
Arches
Canyonlands
Zion
Bryce
Black Canyon of the Gunnison
Rocky Mountain
Great Sand Dunes
Mesa Verde
COLO.
ARIZ.
Grand Canyon
Wupatki
Petrified Forest
Organ Pipe
Saguaro
White Sands
N.MEX.
Carlsbad Caverns
● Wilderness Areas
▲ National Parks
■ National Monuments
◆ Wildlife Refuges

Figure 1. Distribution of Natural Areas in the West

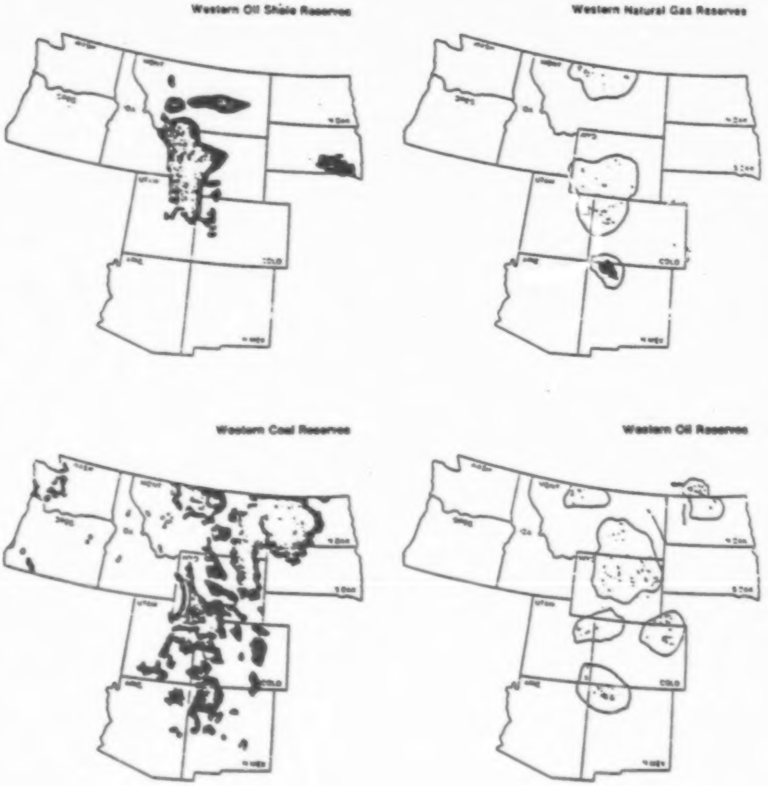

Figure 2. Distribution of Western Energy Reserves

Question: What is the Fish and Wildlife Service doing to address environmental issues relative to western energy development?

Answer: Since 1975 the Service has concentrated on producing information synthesis documents, methodologies, computerized assessment and analysis technologies, and databases focusing on all aspects of western energy development. Specific products include: 1) energy development planning and site assessments to avoid or minimize impacts to fish and wildlife resources; 2) impact and habitat assessment methods; 3) reclamation and revegetation methods, techniques, and databases on rehabilitation of fish and wildlife habitat affected by energy-related activities; 4) habitat mitigation and enhancement methods; and 5) habitat classification and inventory methods. In addition to developing a broad spectrum of products and technologies, the Service has aggressively pursued an information transfer policy designed to expedite the application of state-of-the-art technology at the field level. This process of rapid implementation of evaluation and mitigation techniques was facilitated by involving land management, regulatory and industry personnel in research needs assessment, planning and scoping, and evaluation activities. Close coordination and participation in various industry/government technical and policy making organizations, (e.g., Oil Shale Environmental Advisory Panel, Old West Regional Commission) contributed to better research needs identification, acceptance of products, and institutionalization of fish and wildlife habitat considerations in all aspects of energy development activities.

Question: What databases exist within your agency?

Answer: Several databases have been compiled by the Service to address the effects of western energy development on fish and wildlife resources. These include information on the location and extent of important habitats that could be affected by energy development, as well as rehabilitation and mitigation techniques designed to avoid or offset negative impacts to fish and wildlife resources.

Question: Are there other related environmental issues affecting natural areas which could also capitalize on a database generated by this major research effort?

Answer: In many instances (e.g., geothermal, oil shale, coal gasification/liquefaction) development never proceeded beyond prototype applications. The full impacts of commercial scale development remains largely speculative or unknown. Databases could help develop an understanding of the impacts of other land use changes occurring in the West. In addition, many existing databases lack complete coverage for important ecological areas and could be improved by filling in some of the voids.

Question: Would energy development industries and resource managers benefit from a regional environmental research program in the intermountain West?

Answer: The existence of technical information has resulted in modifying development plans so that fish and wildlife resources are better protected and more coal leased. Such databases are useful not only to fish and wildlife resource managers, but to energy developers as well.

Federal Aid

Question: Can you explain why the Service's budget has allocated all the Federal Aid administrative monies ($11.8 million) to State grants? These monies have been used in the past to perform, at the request of the States, services such as analysis of migratory bird banding data, library reference services of projects, and the 5-year National Hunting and Fishing Survey. It is the understanding of this Committee that during the budget preparation process the Service did not even request input from the State agencies on this matter.

Answer: Federal Aid administrative funds were reduced in FY 1987 in order to increase the amount of funds made available to the States for grants. Though we propose to discontinue the funding of special projects with these administrative funds, the projects could be continued with funding from other sources. An alternative funding source is for the States to enter into a cooperative arrangement to fund those projects they wish to have continued. Under such an arrangement, the States would have greater control over those projects funded, without involvement by the Fish and Wildlife Service. This proposal will not only reduce administrative costs, but will also reduce the number of Federal employees involved with administering the grant programs. The proposed decrease of 52 FTEs supports the Administration's goal to cut back overall Federal employment.

Question: How can the Service effectively justify adequate implementation and monitoring of the Federal Aid program when 52 positions are being dropped in both Pittman-Robertson (P-R) and Dingell-Johnson (D-J)?

Answer: We believe the Service can effectively implement and monitor the Federal Aid programs with the proposed staffing level of 48 FTEs. The current level of program oversight and administration can be reduced as we rely more on the State fish and wildlife agencies to plan and carry out their P-R and D-J funded activities. Additional savings are anticipated as we decrease the Federal involvement in those administrative functions which are not clearly Federal responsibilities.

Question: Isn't one of the basic tenets of the Federal Aid program to ensure that the States spend these monies properly?

Answer: Yes, however, we believe that ensuring the proper use of these funds can be accomplished with a reduced level of direct Federal overview.

Question: It is also the understanding to the Committee that this is justified on the basis of each State having a comprehensive plan. Less than 10 States have such plans.

Answer: Though only a relatively few States have completed the development of fish and wildlife conservation plans at this time, approximately one-half of the States are currently in the process of developing conservation plans.

Proposed Entry Fee

Question: The Administration and others have been a strong proponent of the user pay system. The FY 87 budget would impose an entry fee to selected National Wildlife Refuges but also proposed that 20 percent go to the General Treasury. Can you explain how the 20 percent will assist with refuge and wildlife management and why doesn't all the fee money return to the refuge system or, better yet, to badly needed wetland acquisition?

Answer: The proposed entry fee system is a feature of the Emergency Wetlands Legislation being pursued by the Department. The revenues from the proposed entry fee on selected refuges would be dispersed in the following manner.

40% - Collecting refuge to cover related refuge O&M costs.

40% - Migratory Bird Conservation Fund (MBCF) Account

20% - General Treasury

The 20 percent earmarked for the General Treasury is meant to support the Administration's initiative to reduce the national budget deficit through supplementing the General Treasury with portions of revenues generated on government lands. The remaining 80 percent of the revenues from entrance fees would be equally split between supporting refuge O&M and land acquisition efforts. Most of the land acquisition component would be directed at wetlands.

Anadromous Fish Conservation Act Grants

Question: One of the real success stories in fisheries management has been the continuing increase in anadromous fish stocks in the rivers of the gulf coast, northwest, and northeast. These management efforts are based on multi-state cooperation with the Service acting as the coordinator and have depended on the funds from the anadromous fish restoration program. How does the Service expect continued success for commercial and recreational fisheries if the anadromous fish grants are stopped as proposed?

Answer: State grants provided under the Anadromous Fish Conservation Act have stimulated increased cooperation among the States in managing interjurisdictional anadromous resources. There are now in place a number of inter-agency commissions and/or groups that provide an effective forum for continued cooperative management of these resources. In light of increased effectiveness and cooperation of the States in management of anadromous fish resources, the Service and the Department believe that appropriations for Anadromous Fish Conservation Act grants can be terminated without undue long-term impacts on the resource. Also, a considerable increase in funds available in FY 1987 under the Sport Fish Restoration (D/J) Program (more than 324 percent above the FY 1985 level) will provide alternative funding for the States to meet their fishery management needs.

Southeastern Cooperative Wildlife Disease Study

Question: Can you give the committee sound rationale for not funding the Southeastern Cooperative Wildlife Disease Study? This is a field unit that can and has traveled nationwide to investigate a wide variety of disease problems that affect wildlife. Their work not only protects wildlife but also prevents the spread of disease between wildlife and domestic animals.

Answer: Service financial support for the Southeastern Cooperative Wildlife Disease Study (SCWDS) has been forthcoming for more than twenty-five years, in spite of the fact the SCWDS activities have focused on resident game species generally under the jurisdiction of state conservation agencies. It is our feeling that states and agricultural agencies, the principal recipients of SCWDS services, should provide the necessary financial support to keep the program operational. In addition, the Service's National Wildlife Health Laboratory (NWHL) is now appropriately staffed and equipped to respond as needed to disease outbreaks involving wildlife species under Service jurisdiction. With the completion of a tight isolation research facility this summer, NWHL physical facilities will be most complete found anywhere in the world for the sole support of wildlife disease investigations. In addition, growth of NWHL staff strength has allowed development of a rapid response team of disease specialists that are continually available. The Service will continue to provide disease-related support to State conservation agencies and others when wildlife under Service jurisidiction are involved.

QUESTIONS SUBMITTED BY SENATOR ERNEST F. HOLLINGS

Bears Bluff Field Station

Question: I understand the Fish and Wildlife Service plans to close the Bears Bluff Field Station. Why? I would like to encourage the Service to go ahead with the development of an anadromous fish hatchery as you have planned in the past. Such a facility would complement the current efforts at the State Marine Resources Lab in Charleston and the Waddell Mariculture Center in Bluffton.

Answer: The Bears Bluff Field Station, formerly operated by the Environmental Protection Agency as a research station, was transferred to the Fish and Wildlife Service in 1981 for possible use in restoring striped bass, sturgeon, and intercoastal estuarine species. It has been operated as a unit of the Orangeburg National Fish Hatchery. Under the FY 1987 budget proposal, operational funding for the Bears Bluff station would be terminated. As pointed out in the budget, this facility does have potential for future use in work related to restoration of various anadromous and estuarine fish species. However, in order to effectively utilize the inherent capabilities of this site, a capital investment of more than $6 million would be needed to develop efficient fish production and associated facilities. Given the current and likely future fiscal situation, the Service does not believe that an investment of this magnitude is prudent or feasible. It has, therefore, proposed to transfer or close the station and meet the most critical fish production needs using facilities at the main Orangeburg hatchery.

Anadromous Fish Conservation Act Grants

Question: I understand that the Administration has cut funding under the Anadromous Fish Conservation Act. Included in this funding are two projects (50-50 State/Federal match) in my home state of South Carolina. These projects, which include work on the Atlantic and shortnose sturgeon, are starting to yield substantial results. Since we (South Carolina) have just had to close the Atlantic sturgeon fishery to harvesting, it would seem to be a bad time to cut funding to these vital projects. Would you comment?

Answer: One of the major benefits of the Anadromous Fish Act grant program over the years has been to stimulate increased cooperation among the States in managing interjurisdictional anadromous resources. There are now in place a number of inter-agency commissions and/or groups that provide an effective forum for continued cooperative management of these resources. In light of the increased effectiveness and cooperation of the States in management of anadromous fish resources, the Service and the Department believe that appropriations for Anadromous Fish Conservation Act grants can be terminated without undue long-term impacts on the resource. Also, a considerable increase in funds available under the Sport Fish Restoration Program (D/J) will provide alternative funding for the States to meet their fishery management needs.

Endangered Species Grants

Question: I understand that the President's budget has eliminated grants to States which are authorized by the Endangered Species Act. This funding, along with the State match, supports the States' participation in endangered species work, which by the way, has been working quite well in South Carolina for bald eagles and sea turtles. This work is the very core of the Endangered Species Act and the cut will drastically reduce the ability of the Fish and Wildlife Service to carry out its mission. Does the Administration expect the States to move in and pick up the entire bill for endangered species recovery work?

Answer: The Service fully expects that the States will continue to assist in the implementation of recovery actions for listed species, but without Federally-appropriated Section 6 grants. The proposal to terminate the State grant program in FY 1987 is based on the philosophy that the responsibility for endangered species conservation should indeed be shared among the Federal, State, and private sectors. At present, the Federal share (including funds appropriated to other Federal agencies for management of listed species on their lands) is estimated to far exceed that of our State and private partners. Terminating the grant program clearly emphasizes the need for increasing State and private involvement in the conservation of listed species. The Service believes that this approach will focus the attention of States and private individuals on the endangered species issue, and, ultimately, should increase the resources available for conservation efforts. In the interim, Section 15 funds will still be available (with approximately $10.4 million requested in FY 1987 for recovery and research) to maintain specific recovery efforts deemed essential to a species survival. The Service will not allow the termination of such efforts as a result of the loss of State grant funds.

Bull Island Boat Dock

Question: In this year's budget, the Fish and Wildlife Service included funds to replace the Bull Island boat dock. What progress has been made on this project?

Answer: Construction funds of approximately $315,000 are in this year's budget for the repair of the existing Bull Island dock and the construction of visitor docking facilities. Work is progressing on schedule. The Denver Engineering Center has made an onsite review and is currently preparing for an architectural and engineering firm to develop contract specifications. Projected completion date is this fall or early winter.

Cape Romain Staffing

Question: Last year I wrote Senator McClure about my concerns over the permanent staffing at the Cape Romain Wildlife Refuge and in the 1986 appropriation bill, we directed the Service to evaluate the staffing needs of Cape Romain and provide up to three additional FTE's if warranted. Now I understand that no new staff were assigned to Cape Romain.

Visitorship has doubled at the refuge over the last 3 years, yet we have lost 3 of our 9 member staff since 1979. I am afraid that if we get more visitors they may take all of our staff away. Why have you provided no additional staff for the Cape Romain Wildlife Refuge?

Answer: The Fish and Wildlife Service evaluated the staffing needs at Cape Romain and determined that no additional staff is needed at this time. Public use has increased since the tour boat to Bull Island was recently placed back in service; however, this additional public use is being handled adequately with the current staff, based on the Service's analysis of comparable refuge programs elsewhere. Moreover, the staffing pattern at Cape Romain has been relatively stable over the last few years.

QUESTIONS SUBMITTED BY SENATOR LAWTON CHILES

Florida Refuges

Question: Last year Congress approved funding for acquisition within the boundaries of the following wildlife refuges in the State of Florida:

Crocodile Lake
Florida Panther (Fakahatchee Strand)
Key Deer
Lower Suwannee

Please provide a status of these projects to date and the funding requirements necessary to complete them.

Answer: The following acquisition status is provided:

		($000's)	
Unit	Acres Acquired thru March 31, 1986	Funding Currently Available	Additional Funding to Complete
Crocodile Lake	6,365	1,801	0
Florida Panther	0	6,459	10,479
Key Deer	5,280	542	20,089
Lower Suwannee	35,662	2,278	5,379

Question: Please provide capability for utilizing funds for FY 87 if funds were to be appropriated (please break down by project).

Answer: Crocodile Lake: Sufficient funding is currently available to complete the acquisition of this refuge.

Florida Panther: The acquisition possibilities are still considered good, if the owners and the Service can rectify value differences. Purchase boundaries, third-party easements and other acquisition details have been resolved except for an agreement on the appraised value and purchase price. The landowner has indicated some interest in a land exchange rather than selling. Additional funding in FY 1987 is unnecessary until an agreement for purchase or exchange can be negotiated.

Key Deer: There are nearly 500 ownerships remaining to be acquired within this refuge. Although there is the capability to obligate up to $6.5 million, acquisition can be deferred without imposing a threat to the key deer.

Lower Suwannee: The lands remaining to be acquired are primarily timber company holdings. Further acquisition could be deferred since there is no imminent threat to the habitat.

Question: Please explain why funds appropriated last year specifically for Fakahatchee Strand have not been utilized.

Answer: The Service has been unable to reach a price agreement with the landowner. The landowner, however, has indicated some interest in a land exchange rather than selling. Negotiations with the landowner are continuing.

Crystal River NWR

Question: Last year, in response to my questions, the Fish and Wildlife Service reported that depending on the sites and other factors, land acquisition can be an effective solution for dealing with development in sensitive manatee use areas, such as critical feeding, wintering, and calving habitats. Please bring the Committee up to date on acquisition activities at Crystal River, Florida.

Answer: The Service filed Complaint in Condemnation, Notice of Condemnation, and Notice of Lis Pendens for 13.63 acres of Waterbottoms in the U.S. District Court, Middle District of Florida, Ocala Division on December 30, 1985. The Service is updating the title insurance for U.S. Attorney. No trial date has has been set.

Question: What facilities are available in Crystal River, Florida, for the public to obtain information and be advised how to protect and enjoy the estimated 138 manatees that reside in Kings Bay?

Answer: Information is provided to the public through a variety of means. Brochures concerning the protection and enjoyment of manatees are provided to local dive shops for distribution to divers and others patronizing the shops. A 34 foot floating information display has also been installed to provide information to divers and boaters in the manatee area.

Question: Does the amount of public use in this area justify facilities of this nature?

Answer: The Service believes that these facilities are appropriate to the current use. On normal winter weekends 200-300 divers plus many boaters are in the manatee area daily. Much of the public use associated with the manatees is from out of State individuals who have a high interest level and desire extensive information.

Question: Are additional facilities needed, and if so, are opportunities still available to purchase suitable areas for needed facilities?

Answer: Existing educational efforts fully inform the public about manatees and a new facility is a low Service priority.

Question: If funds were to be made available to the Service for reprogramming purposes, would this particular project be a high priority for the Service?

Answer: This development would be a low priority project. Informing and educating the public has been identified as a priority task in the Endangered Species Recovery Plan for the manatee. However, this task can be accomplished using a variety of means at a lower initial investment and operating cost.

Habitat Conservation Plan

Question: Two years ago $100,000 was provided to the U.S. Fish and Wildlife Service for the purpose of assisting the State of Florida and local agencies in preparing a Habitat Conservation Plan (HCP) for North Key Largo, Florida. Section 10(a) of the Endangered Species Act contemplates the development of such a plan as a means to address the conservation of a habitat and species of concern in the context of anticipated development. Please summarize where we now stand in terms of the development of the Habitat Conservation Plan for North Key Largo, Florida.

Answer: The funds provided (net amount of $98,000) were provided to the State of Florida for use in preparing the North Key Largo Habitat Conservation Plan (NKLHCP). The State then allocated the money to its Department of Community Affairs, which in turn passed it on to Monroe County, Florida. A private land-use planning firm was then contracted to develop the NKLHCP, with the coordination and advice of a NKLHCP Committee composed of members appointed by the Governor of Florida, Fish and Wildlife Service representatives, and other interested individuals. The NKLHCP Committee has met about every two months since August 1984, providing an open forum for all views as the plan was being developed. A preliminary draft NKLHCP of March 20, 1986, has been presented to the NKLHCP Committee for review and comments at the next meeting of the Committee in May 1986. This draft plan incorporates a design for development on North Key Largo along with protection and maintenance of habitat for listed species that occur there. In addition, the Service has held two scoping meetings and has distributed a scoping document in preparation for writing an Environmental Impact Statement on the NKLHCP.

Question: The San Bruno Mountain Habitat Conservation Plan was the model for the HCP concept. The North Key Largo and Coachella Valley HCPs further demonstrate the potential for resolving resource conflicts. Has the HCP concept been further utilized in other instances to solve environmental disputes throughout the nation?

Answer: Other than those three you mentioned, the HCP concept has not been utilized in any other instances to date. However, two others are now being considered for future development (Alabama-Florida Gulf Coast, and San Joaquin Valley, California).

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

Question: Secretary Horn, it is my understanding that stocking and maintaining a striped bass population in the Chesapeake Bay is one of the Fish and Wildlife Service' highest priorities. Is that correct?

Answer: The Service believes cooperative management of major interjurisdictional (transboundary) fishery resources is an area in which it can play a key coordinating role and provide an important contribution. It views this as one of its most important responsibilities in stewardship of the Nation's fishery resources. Accordingly, the Service places a high priority on restoration of the depleted interjurisdictional striped bass populations of the Chesapeake Bay and mid-Atlantic coast. Artificial propagation/stocking is one potential tool for use in restoring these striped bass populations to self-sustainability. The Service, with its national fish hatchery system, has the potential to provide a major contribution in this area. A cooperative, 5-year, State/Federal experimental stocking program has been initiated in the Chesapeake Bay area to evaluate the effectiveness of stocking in restoring spawning populations.

Question: How many striped bass would be introduced annually?

Answer: The Service is attempting to produce, mark, and stock 1.0 to 1.5 million phase II (5-7 inches) striped bass annually in designated tributaries to the Bay. This is the minimum number estimated to be needed to increase juvenile recruitment sufficiently to provide appropriate statistical verification through subsequent population sampling and harvest recoveries of marked fish.

Question: I am told that present hatchery experience is that only 1.4 percent of the Chesapeake Bay strain of striped bass survive to stocking size and that more research must be done to reduce mortality and thereby raise production efficiency. Is that your understanding of the situation?

Answer: That was the approximate survival in 1985 for production of the Chesapeake Bay striped bass based on the number of fry compared to the number of phase II (5-7 inches) fish ultimately stocked. Even though striped bass mortality in the hatchery is always much higher than that of traditionally cultured species such as trout and salmon, the 1985 hatchery mortality was higher than expected. However, this was the first year for large scale production of the Chesapeake Bay strain of striped bass, and our experience indicates that production of this strain differs in some respects from production of other previously cultured striped bass strains. With this experience gained in 1985, we hope to substantially improve survival in 1986.

Question: It would seem to me that the mortality problem would be a key issue to the repopulation of striped bass in the Chesapeake Bay and that the Leetown National Fisheries Center is especially suited to conducting research to minimize these problems. What is the Fisheries Center presently doing in this area?

Answer: Some of the specific areas of investigation being pursued in an effort to improve hatchery survival include improvement of disease detection and control; improvement of diets for all life stages; and improvement in handling, spawning, and transportation techniques. This work is being done at Leetown and at the Southeastern Fish Culture Laboratory, Marion, Alabama, a satellite laboratory to the Leetown Center.

Question: Is the hatchery at Leetown essential for the production research being conducted by the National Fisheries Center?

Answer: The Leetown hatchery could be very useful in carrying out striped bass research and refining production techniques resulting from that research. Laboratory studies can only go so far in addressing the needs of producers. Full scale production applications are needed to confirm the validity of small scale studies and to demonstrate and refine the technology for users. Although production applications can be tested at other hatcheries, the Leetown Center is unique in that it is the only Service facility where both a major warm water production facility suitable for raising striped bass and a major research facility are located together.

Question: How many fish can you produce at Leetown to meet the annual stocking goal of 1.1 million striped bass for the Chesapeake Bay?

Answer: If adequate numbers of fry are available after all requirements are met at other production hatcheries, the Service has tentatively scheduled production of up to 200,000 striped bass at the Leetown hatchery in 1986. With the present condition of the ponds and water supply system, this would be the absolute maximum that could be expected under the most ideal weather conditions and assuming absolutely no production problems. A more reasonable expectation under normal conditions would probably be less than this, but would be difficult to predict until at least one production season is completed.

Question: Are there any more suitable hatcheries to produce these fish?

Answer: All the striped bass production capability at other Service hatcheries suitably located for the Chesapeake Bay restoration effort is presently being used for that purpose, with the possible exception of the Lamar National Fish Hatchery that may have some potential with suitable rehabilitation of the facilities.

Question: Let's summarize a few points. You have said that: 1) research is necessary; 2) Leetown is your aquaculture research center; 3) you can't do production research without a hatchery; and 4) the Leetown experimental hatchery is already involved in striped bass research and can also supply approximately 20 percent of your stocking requirements. So, inview of these facts, why does the FY 1987 budget propose to close the Leetown hatchery?

Answer: The Service recently completed a Statement of Responsibilities and Role for the Fishery Resources Program that identified four major responsibilities that the program would address in contributing to cooperative stewardship of the Nation's fishery resources. In response to the Federal budget situation and the need to reduce expenditures to levels mandated by the Gramm-Rudman-Hollings Act, the Service identified lower-priority activities that could be eliminated. Much of the aquaculture activity previously conducted at the Leetown hatchery did not relate directly to the four major responsibilities, was of lower priority relative to other Service needs, and was therefore proposed for termination. Because of the necessity to reduce the Service's current level of funding and activities, the Service proposed to close the hatchery rather than redirect it toward other purposes.

Question: Do you need any additional funding and staff to operate the hatchery and continue striped bass research work at Leetown in FY 1987; and if so, how much?

Answer: If the decision were made to retain the hatchery in operation for striped bass research and for production of striped bass for Chesapeake Bay, approximately $300,000 and 6 FTEs would be required to make optimum use of the facilities for these purposes.

Question: If the Center can use the existing ponds to raise striped bass, why is it necessary to spend $3.5 million to renovate these ponds?

Answer: Although the ponds and water system are deteriorated, they are minimally functional. If all conditions are ideal, production success could be good. However, there is little safety margin in the system for unforeseen problems or less than ideal conditions. For example, higher than normal temperatures or low rainfall would probably result in high fish mortality because sufficient water could not be supplied to the ponds to compensate. Also, the ponds leak badly, the condition of the levees is suspect, and the water lines may be susceptible to rupture under extended usage. In other words, production will be difficult and inefficient, and success will be extremely uncertain--a gamble. If the decision were made for an extended production commitment for the Chesapeake Bay restoration, rehabilitation of the pond system should be considered. With appropriate rehabilitation of the hatchery ponds, raceways, and water supply system, annual production of 300,000 phase II fish would be a reasonable expectation under normal conditions.

Question: The fish research budget would be cut by 5 percent in the FY 1987 budget. At the same time, wildlife research would be increased by more than 20 percent. What is the rationale behind this shift in resources?

Answer: The general rationale for the net reduction in fishery research is the termination of activities not consistent with Federal responsibilties as identified in the Statement of Responsibilities and Role, and the reduction of several one-time add-ons provided in the FY 1986 appropriation. The net increase in wildlife research is based primarily on a critical need for research on the substantial declines in waterfowl populations in recent years. Restrictive harvest regulations, land acquisition, and habitat management measures appear to have only limited effect on the declines. In order to better clarify the possible causes, the Service proposes to intensify research relating to nonhunting mortality (including disease) and to enhance our ability to monitor population and harvest trends.

Question: I presume that there would be no reduction in the operation of the Fisheries Academy under the FY 1987 budget. Is that correct?

Answer: That is correct. No specific reduction is budgeted for the Fisheries Academy.

Fish and Wildlife Cooperative Research Unit at West Virginia

Question: The FY 1987 budget does not mention the cooperative research unit which was established at West Virginia University as a result of my amendment to the FY 1986 Continuing resolution. Was this an oversight, and when will this unit begin operation?

Answer: The West Virginia Cooperative Fish and Wildlife Unit will begin functioning in FY 1987. The agreement is being negotiated and selection of staff is in process. We expect to have staff on site by October 1986. It was an oversight that the West Virginia Unit was not shown in the FY 1987 combined unit listing.

Question: Do you have a funding shortfall in the Co-op unit program?

Answer: At the staff level proposed in the President's budget, there are adequate funds/FTE to meet the Cooperative Unit Program objectives.

Question: And, if so, what would be the financial and FTE requirements to fully staff these units in FY 1987 compared to your budget request?

Answer: Although there are sufficient FTEs and funds to meet cooperative unit program objectives in FY 1987, a fully staffed cooperative unit program (25 combined units each with 3 personnel, 5 fishery units each with 2 personnel and 5 administrative personnel) would require 90 FTE. A FY 1987 budget to support the program at this level would be $5,300,000.

Leetown Funding History

Question: Please supply for the record the funding and staffing histories from FY 1981 - FY 1986 and the FY 1987 budget levels for all units of the National Fisheries Center at Leetown and, seperately, for each of its satellite research centers. Also, describe any significant changes in the substantive research being conducted from year to year.

Answer: Resource Management funding and FTEs for the Leetown Center and associated satellite laboratories (actual expenditures for FY 1981-85 and planned expenditures for FY 1986 and 87) follow:

		FY 1981	FY 1932	FY 1983	FY 1984	FY 1985	FY 1986	FY 1987
Leetown NFC, WV								
Director/Support	$000	445	417	697	590	576	609	580
	FTEs	9	11	14	13	13	14	17
Info Transfer/Library	$000	125	121	130	155	185	198	199
	FTEs	4	4	4	4	4	4	4
Hatchery/Culture Demo	$000	224	239	241	265	266	206	0
	FTEs	6	6	8	6	6	6	0
Fisheries Academy	$000	292	270	284	323	304	290	303
	FTEs	6	5	6	4	4	4	4
Fish Health Res Lab	$000	649	601	717	745	748	714	747
	FTEs	15	14	18	14	14	14	16
Facility Mgt	$000	170	157	178	166	180	196	201
	FTEs	4	2	4	5	5	6	6
Subtotal	$000	1905	1805	2247	2244	2259	2213	2030
	FTEs	44	42	54	46	46	47	47
Tunison Laboratory of	$000	540	503	414	607	753	718	709
Fish Nutrition, NY	FTEs	17	13	11	15	14	15	15
Southeastern Fish Cult.	$000	332	340	378	432	391	352	350
Laboratory, AL	FTEs	15	10	11	11	9	11	11
Fish Farming Experimental	$000	304	338	380	355	343	333	330
Laboratory, AK	FTEs	16	11	11	11	11	11	11
Exotic Fish Research	$000	239	258	248	241	401	562	410
Laboratory, FL	FTEs	2	3	3	4	7	8	8
NE Fish Research and	$000	566	520	507	875	919	915	841
Development Lab, PA	FTEs	11	13	16	13	15	18	18
TOTAL	$000	3886	3764	4174	4754	5066	5093	4670
	FTEs	105	92	106	100	102	110	110

Question: Last year, the Fish and Wildlife Service and the Department of the Interior forwarded to the Committee a fairly positive capability statement on a closed cycle, agricultural research project to be conducted jointly with the Fish and Wildlife Service' National Fishery Center in Leetown, West Virginia, the State of West Virginia--and the State of Idaho. Do you still believe this is a meritorious research project?

Answer: In terms of legitimate scientific inquiry and development and application of usable information, techniques, or procedures, the project has merit. In terms of the Service's primary goals and objectives relating to management of fish and wildlife resources, it would be a low priority relative to other Service needs, particularly in the present Federal budgetary situation.

Question: What are the specific benefits that might come from such a program?

Answer: Although there would be spin-off benefits for general fish culture, the primary benefits would be in the area of commercial aquaculture development. That is the primary reason that the Service would view it as low priority.

QUESTIONS SUBMITTED BY SENATOR J. BENNETT JOHNSTON

Study on Waterfowl Development

Question: I understand the $3.1 million research grant to study the impact of environmental degradation would be based on Gulf Coast problems. However, the FY 1987 budget request appears to limit this study to the East and West Coasts and to provide nothing for the Gulf Coast and Central Flyway. Why was the Gulf Coast dropped from this study?

Answer: The Gulf Coast was not dropped from the study and is included as a part of the area that would be studied under the Service's budget proposal. Within the nonhunting mortality segment of the proposal, approximately $300,000 would be spent to study nonhunting mortality of wintering waterfowl in the Gulf Coast. Waterfowl populations, including those along the Gulf Coast, have experienced substantial declines in recent years. The Service's strategy to address this problem includes an expanded research program to determine the extent of nonhunting mortality such as disease and predation. Other research would include improved methods of surveying waterfowl populations and the development of population models to predict with greater accuracy the effects of management and natural events on waterfowl populations. The proposed increase of $3.1 million will be expended in several flyways including the Central Flyway. Wintering grounds in the southern parts of the United States will also be addressed, including the coasts of Louisiana and Texas and the bottomlands of the Mississippi Valley.

Question: Since this study was originally designed to study the Gulf Coast, would you oppose one-third of the proposed appropriation going to the Gulf Coast? If so, why?

Answer: The Service believes that an important way to increase population density is to determine the biological factors that limit the population size between breeding and fall flight. Therefore, special emphasis has been placed on determining nonhunting mortality on the breeding areas. Because of this special emphasis, the Service would oppose spending one-third of the proposed funding along the Gulf Coast; but instead believes that $300,000, or about ten percent, should be spent in the south-central part of the United States during the initial year of the study.

QUESTIONS SUBMITTED BY SENATOR DALE BUMPERS

Southeastern Cooperative Wildlife Disease Study

The Service is proposing the elimination of funding for the Southeastern Cooperative Wildlife Disease Study (SCWDS). This program has an excellent national reputation for conducting important research on diseases affecting wildlife populations. The state of Arkansas participates in this fine program in cooperation with 12 other Southeastern states, the Fish and Wildlife Service and the Department of Agriculture. I am concerned that the elimination of Fish and Wildlife Service participation and funding will detrimentally affect the program.

The budget justification for the elimination of funding states that "the program is of primary benefit to state-operated wildlife programs." Yet because of its excellent national reputation in wildlife diseases research, the SCWDS continually receives requests for information and assistance from all areas of the country and from many federal government agencies.

Research conducted by the SCWDS is being used by wildlife managers, disease specialists, and livestock and poultry officials throughout the nation. The SCWDS involvement in service to the wildlife resources of the entire country certainly warrants the participation of the Fish and Wildlife Service in its efforts.

Question: Does the Fish and Wildlife Service make use of the research conducted by the SCWDS?

Answer: The information gathered during SCWDS research contributes to the body of scientific literature used by the Service in its own disease research activities. However, the emphasis of SCWDS research is on resident wildlife species while the Service focuses its disease research effort on migratory game birds and endangered species under Service jurisdiction. Hence, the overlap between the two is infrequent. SCWDS has worked cooperatively with the Service's National Wildlife Health Laboratory (NWHL) on a small number of disease response activities involving waterfowl and on joint training workshops for State biologists. In addition, SCWDS has conducted research, principally on deer populations, on some refuges in the Southeast. These data have proved useful in management of deer herds.

Question: Are you aware of a comparable research and assistance program anywhere in the country providing the same information on wildlife diseases?

Answer: Several States (California, Colorado, Wyoming, Michigan, New Jersey) have developed their own wildlife disease programs, yet they often call upon the Service's National Wildlife Health Laboratory (NWHL) for assistance. Other States utilize expertise at universities such as the Northeastern Center for Wildlife Disease at the University of Connecticut, Colorado Wild Animal Disease Center at Colorado State University, various schools of veterinary medicine and other local programs. None of these programs receives Service funding. Upon completion of a tight-isolation research laboratory this summer, the NWHL physical facilities will be the most complete found anywhere in the world for the sole support of wildlife disease investigations. The NWHL has never failed to provide assistance to requesting States in the management of wildlife disease outbreaks involving wildlife under Service jurisdiction. For similar assistance involving resident species, we feel it is appropriate for States to seek out and financially support local or regional disease management assistance from organizations such as SCWDS.

Realty Management Personnel

Question: Your budget proposes to cut the number of realty FTEs by a total of 32--reducing the Land and Water Conservation Fund realty division by 8 and the Migratory Bird Conservation Account realty division by 24. If Congress should decide to appropriate funds for land acquisition at the same level of funding as in FY 1986, what effect will this reduction in realty FTEs have on the Service's ability to manage its land acquisition program?

Answer: A FY 1987 land acquisition appropriation of $38 million, plus a carryover of about $30 million, coupled with the $10.5 million remaining under the Wetlands Loan Act and the projected $16.5 million from receipts to the Migratory Bird Conservation Account, would result in a $95 million land acquisition program which is equal to the FY 1986 level of funds available for obligation. A reduction of 32 FTE's from the FY 1986 level could reduce the Service's ability to perform some appraisals, negotiations and closings. However, this would only reduce the Service's obligation rate in FY 1987 by about 15 percent.

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Missisquoi NWR, Vermont

Question: In last year's Senate Committee report, the Committee did not include funding to construct a new visitor center/office building at the Missisquoi NWR, Vermont. The Committee directed the Service to develop a plan for such a facility, including consideration of issues such as water supply, flooring, icing, adequacy of work space and the potential utilization of a new visitor center. What actions has the Service taken in response to this directive?

Answer: A total of $19,600 has been provided for the purpose of advance project planning. This planning, expected to be complete in June 1986, will provide a site plan/layout, design criteria and cost estimates. Soil borings and perc tests have been completed. Currently, a test well contract is pending award and a bid opening is scheduled before the end of May for a cultural resources survey.

Question: When will the report be available?

Answer: Design criteria and cost estimates are scheduled for completion in June 1986.

Jet Propulsion Laboratory

Question: What is your assessment of the work being done by the Jet Propulsion Laboratory using remote spectroscopy for identifying forest damage?

Answer: We are aware of a joint Jet Propulsion Laboratory/NASA Goddard investigation in the use of an airborne remote sensing technique to identify suspected acidic deposition damage to spruce forests in Vermont. Similar work in Europe is also in progress. Although this technique appears to hold future promise for detecting the quantitative impacts of acidic deposition, we understand that problems still exist in its application on a routine basis. Perfection of this methodology could be very beneficial in assessing the effects of acidic deposition on forest resources.

QUESTIONS SUBMITTED BY SENATOR DENNIS DECONCINI

Budget Reductions

Question: The Fish and Wildlife Service budget for FY 87 has been reduced by $65.5 million from the FY 86 enacted budget. The proposed budget for Resource Management has been reduced by $11.5 million. With many new additions to the refuge system over the past few years, how does the Service plan to adequately protect and manage these areas with a lower budget, particularly in the area of resource management?

Answer: The FY 1987 budget request for the National Wildlife Refuge System includes a $1,646,000 increase to fund activities at new or expanded refuges and $730,000 for ongoing operational activities at existing refuges. Resource management programs on refuges will be enhanced by both of these requested increases. Decreases for the refuge system total $10,307,000 with most ($9,489,000) of the decrease coming from the ARMM maintenance account. The most serious maintenance problems will be completed with remaining base maintenance funding with emphasis placed on maintenance related to health and safety items. Some lower priority maintenance projects will be deferred.

Accelerated Refuge Maintenance Management

Question: Also under the wildlife resource program, a reduction of $9.5 million is proposed in the refuge operations and maintenance program to correct serious maintenance deficiencies under the Accelerated Refuge Maintenance Management program. Could you approximate for the Committee how much money is necessary to correct outstanding maintenance problems at our National Wildlife Refuges?

Answer: The budget request is sufficient to address the highest priority maintenance needs in FY 1987. A Servicewide maintenance inventory was initiated by the Office of Maintenance Management in FY 1986 and is scheduled to be completed in FY 1988. At that time, it will be possible to more accurately determine the maintenance needs of the NWRS.

Question: Will the proposed reduction allow the Service to undertake activities which will alleviate health and safety concerns at some of these facilities?

Answer: The ARMM budget request is sufficient to undertake and resolve maintenance-related health and safety problems at all refuges. Resolution of health and safety problems is the Service's first priority for allocation of funding. Any serious health and safety problems are accomplished within available Service resources.

Question: What type of maintenance activities will be curtailed?

Answer: Generally, no seriously needed maintenance activities will be curtailed. A number of maintenance projects whose immediate resolution is not necessary to protect associated capital value or the resource have been deferred. These deferred projects are of a lower priority and include all types of projects ranging from building maintenance to maintenance of wetlands through drawdowns and pest plant control programs.

Funding Increase at Existing Refuges

Question: I am pleased with the budget proposal to increase funding for operations of existing refuges. The statements made in your budget justification clearly indicate a need to increase operations budgets so that refuges can be properly managed. Will an increase of $730,000 provide sufficient funding to undertake the activities outlined in your budget justification?

Answer: Yes, the addition of these funds will sufficiently increase capabilities for handling day-to-day management problems. The added flexibility will allow field station managers an opportunity to correct small operations problems before they develop into larger ones.

Question: For Arizona refuges, you have requested an average increase of about $3,000. I am not sure I fully understand how an additional $3,000 is going to boost activities at these refuges. Can you explain what activities will be undertaken at Arizona refuges with this money?

Answer: These funds will be used for a wide variety of undesignated small projects related to the day-to-day operation of refuges. Examples include updating law enforcement equipment, purchase of safety items, purchase of supplies and materials to conduct habitat management activities, etc. The additional funds will provide refuge managers with more discretionary funding to allow more efficient and effective handling of day-to-day management operations.

Law Enforcement Activities

Question: I am particularly concerned about the Service's law enforcement budget. While the Service is requesting only a slight reduction under the '86 enacted appropriation for law enforcement, I am not convinced that even the '86 level was sufficient to insure the proper protection of our wildlife resources. In the southwest, where many refuges are in close proximity to the Mexican border, we have seen poaching, vandalism and drug trafficking in these units. Shouldn't the Fish and Wildlife Service be giving special consideration to units of the refuge system which are easy targets for these types of activities?

Answer: Funding for refuge law enforcement officers comes from refuge operation and maintenance funds. Funds designated as "Law Enforcement" in the FY 1987 Budget Justification will support activities of special agents in the Service's Division of Law Enforcement. This is a separate entity from refuge officers in the Division of Refuges. The Service is sensitive to the special nature of law enforcement in the Southwest and enforcement activities by refuge officers have been adjusted accordingly.

Question: What type of program does the Service have for curbing these offenses in the Southwest?

Answer: Refuge officers nationwide are given thorough training at the Federal Law Enforcement Training Center, Glynco, Georgia prior to receiving law enforcement commissions. Training covers a wide variety of topics ranging from handling of misdemeanor violations to more serious matters including rapes, murder, drug trafficking and terrorism. Thorough training in the use of firearms and in defense tactics is also included. In addition all refuge officers receive annual refresher training to keep them up-to-date on current techniques.

Specifically with regard to law enforcement activities in the Southwest, the Service is aware that unique problems do exist at some refuges and this is taken into account in funding and staffing considerations. Refuge officers also coordinate closely with other agencies such as the Border Patrol, Customs, Drug Enforcement Administration and State and local law enforcement entities in order to develop and maintain appropriate law enforcement capabilities on refuges.

Kofa NWR, AZ

Question: I see that the Service has not requested funds to acquire any new refuges in FY 1987. Also no funds have been included in your budget submission to acquire private lands within existing refuges. In Arizona, the Kofa National Wildlife Refuge contains mining claims which could potentially threaten the refuge resources. How much is necessary to acquire the remaining mining claims within the Kofa?

Answer: The mineral assessment of the Kofa mining claims has not been completed by the U.S. Geological Survey. Acquisition costs for the patented and unpatented claims could range from $500,000 to $10 million, depending upon the economic mineral potential.

Question: How much money could be utilized in FY 1987?

Answer: Upon completion of the assessment, the Department will either withdraw the refuge from mining laws or cancel the temporary closing order and keep the refuge open for mining entry. The outcome of this decision will strongly influence future acquisiton plans for the refuge. Since the assessment and associated withdrawal decision are not expected soon, the Service would be unable to utilize acquisition funding in FY 1987.

Selenium Contamination

Question: On December 12, 1985, the Interior Department released a study indicating that 23 sites in the West were being threatened by concentrations of selenium. The Imperial Wildlife Refuge in Arizona was one site identified in that study. What is the extent of the selenium poisoning that is occurring in refuges along the Colorado River?

Answer: The three Lower Colorado refuges, Cibola, Havasu, and Imperial NWRs, are located near intensively farmed agricultural areas and receive water from the river that contains irrigation return flows. Recent information from the National Contaminant Biomonitoring Program (NCBP) for two sites adjacent to the Cibola and Imperial NWRs indicate elevated levels of trace elements such as selenium. Information from 36 fish samples (8 species) collected at 7 localities between 1972 through 1980 have confirmed elevated selenium concentrations (>13000 ppb, dry weight) in the Lower Colorado River. In Topock Marsh (Havasu NWR) selenium concentrations in carp, sampled in 1980, were in excess of 10,000 ppb (dry weight).

Question: What type of follow-up to the study is the Service conducting?

Answer: The Department of the Interior (DOI) announced on February 21, 1986, that it will investigate 19 sites further for possible irrigation drainage-related water quality problems. Not all of the 23 areas reported in a series of newspaper articles are presently being considered since further examination indicated that some of those sites did not show selenium levels high enough to merit further investigation. The DOI Task Group on Irrigation Drainage has assembled inter-bureau field teams (Fish and Wildlife Service, Geological Survey, and Bureau of Reclamation) that will begin investigating these sites this year. The Lower Colorado and Gila Rivers, designated as high priority sites for study, will be one of the nine sites for which field studies will be initiated this summer. These studies are expected to be completed in 1987 and will include investigations of Imperial, Havasu, and Cibola National Wildlife Refuges.

Question: Is there sufficient funding in the '87 request to accommodate continued review on this problem?

Answer: The FY 1987 budget request is adequate to accommodate funding needs associated with this project.

Increased Funding for Buenos Aires and San Bernardino NWRs

Question: I note that the Service is requesting an increase of $250,000 for the Buenos Aires National Wildlife Refuge in FY 87 and $135,000 for the San Bernardino National Wildlife Refuge. Can you provide the Committee with an updated status report on activities to be undertaken at both facilities with the proposed budget increases?

Answer: Buenos Aires NWR was established for the primary purpose of protection of the endangered masked bobwhite quail. The requested funds would be used to purchase equipment, to speed up reintroduction of the masked bobwhite quail, to post and sign the area and to modify and maintain existing facilities to accommodate refuge management needs. San Bernardino NWR was established to protect several endangered Rio Yaqui fish species. Most of the increased funding would be used to make improvements to the springs and other water areas on the refuge. This would involve purchase of supplies and materials and use of rented equipment. Some of the San Bernardino funding would also be used to prepare for the opening of upland areas for hunting in the fall of 1987.

Question: When do you expect to have on-site staffing at both facilities?

Answer: On-site staffing is present on both stations.

Central Arizona Project

Question: The Service is proposing to list as "threatened" or "endangered" several plants and fish species that exist within the area of the Central Arizona Project route. Could you please provide the Committee with a report on your proposal to list the following species:

a. Mammilaria Thornberi (Thornber's Fishhook Cactus)
b. Meta Fulgida (Spikedace)
c. Tiaroga Cobitis (Loach Minnow)
d. Tumamoca Macdougalii (Tumamoc Globeberry).

Answer: The spikedace and loach minnow were proposed for threatened status with critical habitat on June 18, 1985. Both are found in the upper Gila River in New Mexico, in the area of the proposed Conner Dam alternative of the Central Arizona Project (CAP) Upper Gila Water Supply Study. A high mainstream dam at that site would inundate large portions of prime habitat for both species. The spikedace is also found in the upper Verde River in the area of a proposed water rights exchange by the City of Prescott and the Yavapai-Prescott Indian Reservation involving CAP water, which would remove the majority of the flow from the river during low flow periods, adversely impacting the spikedace. The critical habitat designation has been removed from the final rules to list the loach minnow and spikedace until the economic analysis is completed. The final rules to list these two fishes as threatened without critical habitat are presently under review in the Service's Washington Office. The Bureau of Reclamation has just initiated Section 7 conferences for both species for the Verde and Gila River projects.

The Thornber's fishhook cactus was proposed for threatened status on April 24, 1984, and the Tumamoc globeberry was proposed for endangered status on May 20, 1985. The final rule listing the Tumamoc globeberry was published in the Federal Register on April 29, 1986. The final rule for the Thornber's fishhook cactus is being prepared in the Service's regional office. Some of the densest populations of the cactus and the largest known population of the globeberry are found on the right-of-way for the Tucson aqueduct Phase B of the CAP. In addition to direct destruction of these species during construction of the aqueduct, there will also be indirect effects through alteration of drainage patterns and resultant urban and agricultural development planned on the Papago and San Xavier Indian Reservations. A Section 7 conference report was issued on November 18, 1985, which specified reasonable and prudent alternatives to avoid jeopardy. The Bureau of

Reclamation is planning to acquire land for protection of both species off the right-of-way.

Colorado River

Question: The Bureau of Reclamation is authorized to maintain and improve the Colorado River bankline and levee system. Before the Bureau can begin construction, it must first prepare a NEPA document and consult with the Service. This process seems to be working. However, when the Bureau applies to the Corps of Engineers for a Section 404 permit and the Corps requests the Service's review, the Service on a number of occasions has requested additional mitigation measures before the permit is granted. I understand that this problem is being reviewed at the local level. Can you comment on this situation and give the Committee an assessment of the problem and how you plan to resolve it?

Answer: The Service has reviewed numerous bankline levee projects proposed by the Bureau of Reclamation (BR) along an approximately 200 mile reach of the Colorado River from Davis Dam downstream to the U.S./Mexico International boundary. Implementation of these levee projects requires a Corps of Engineers' Section 404 permit. The Service reviews about five Corps permit applications each year that are for BR levee projects, including dredging, riprap and settling basins.

The Service is the point of contact for Department of the Interior review and comment on Corps' permits. Therefore, when another Interior agency such as BR is the permit applicant, the Service is in the position of project review coordinator for the Department as well as the agency responsible for providing technical comments regarding fish and wildlife mitigation. The Service encourages pre-development consultation early in the NEPA review process to provide BR with initial fish and wildlife resource concerns and mitigation recommendations. Early coordination helps avoid the need for additional mitigation when specific project plans are presented in a permit application.

The Service is currently attempting to address permit coordination associated with BR projects on the Colorado River. For example, the Service participates on the "Lower Colorado River Work Group." This Group is comprised of several resource agencies, including BR, and meets quarterly to discuss ongoing projects, project proposals and interagency coordination. Additionally, the Service's Region 2 and BR will meet on May 15, 1986 to discuss interagency coordination and permit issues regarding BR projects on the Colorado River. The following recommendations will be offered by the Service to help improve Service/BR coordination:

1. encourage pre-application meetings to discuss projects that will require permits during the "notice of intent" phase of the NEPA process;

2. encourage pre-application meetings regarding permits that may be necessary to implement proposed alternatives;

3. conduct a comparative analysis on Service and BR mitigation concepts to identify differences; and

4. attempt to conduct the permit review process during the NEPA process. The identification and evaluation of alternatives and mitigation recommendations are integral to both processes.

Endangered Species

Question: The Service is proposing to eliminate funding for the cooperative endangered species program for the States. While the cost of this program is small (approximately $4.4 million), the benefits it provides to the States in terms of studies on the impact of activities on endangered and threatened species are large. Does the Service assume that the States will have the funding to continue these activities?

Answer: The Service fully expects that the States will continue to assist in the implementation of recovery actions for listed species, but without Federally-appropriated Section 6 grants. The Service's proposal to terminate the State grant program in FY 1987 is based on the philosophy that the responsibility for endangered species conservation should indeed be shared among the Federal, State, and private sectors. At present, the Federal share (including funds appropriated to other Federal agencies for management of listed species on their lands) is estimated to far exceed that of our State and private partners. Terminating the grant program clearly emphasizes the need for increasing State and private involvement in the conservation of listed species. The Service believes that this approach will focus the attention of States and private individuals on the endangered species issue, and, ultimately, should increase the resources available for conservation efforts. In the interim, Section 15 funds will still be available (with approximately $10.4 million requested in FY 1987 for recovery and research) to maintain specific recovery efforts deemed essential to a species survival. The Service will not allow the termination of such efforts as a result of the loss of State grant funds.

Question: If not, what will happen to important studies already underway?

Answer: As mentioned above, the Service believes that the responsibility for endangered species conservation should be shared among the Federal, State and private sectors. Other mechanisms besides Federal Section 6 grants currently exist to fund State species conservation programs, such as State income tax check-offs and species-specific corporate grants. The Service believes that no high-priority recovery project will be eliminated due to termination of the State grant program. The pace or scope of implementation may be impacted, however, but the States are expected to be able to maintain ongoing conservation efforts. Further, using the established recovery priority system, the Service may elect to use Section 15 funding to continue a few of the highest priority projects previously funded under the Section 6 grant program.

SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee will stand in recess until 2 p.m., on Tuesday, April 22, at which time we will receive testimony from the Navajo-Hopi Indian Relocation Commission and the Office of Surface Mining.

Thank you.

[Whereupon, at 3:35 p.m., Thursday, April 17, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, April 22.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

TUESDAY, APRIL 22, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:10 p.m., in room SD–192, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure, DeConcini, and Bumpers.

NAVAJO AND HOPI INDIAN RELOCATION COMMISSION

STATEMENT OF RALPH A. WATKINS, JR., CHAIRMAN

ACCOMPANIED BY:
- SANDRA MASSETTO, COMMISSIONER
- HAWLEY ATKINSON, VICE CHAIRMAN
- CHRISTOPHER J. BAVASI, EXECUTIVE DIRECTOR
- MICHAEL J. McALISTER, DIRECTOR, MANAGEMENT
- PAUL M. TESSLER, DIRECTOR, OPERATIONS
- FRED CRAFT, GENERAL COUNSEL

PREPARED STATEMENT

Senator McCLURE. The committee will come to order.

This is the time scheduled to review the fiscal year 1987 budget request for the Navajo and Hopi Indian Relocation Commission, and the Office of Surface Mining Reclamation and Enforcement.

We will begin with the Relocation Commission.

The fiscal year 1987 budget estimate for the Navajo and Hopi Indian Relocation Commission totals $22,335,000, an increase of $21,000 over fiscal year 1986 appropriations to date.

Of the amount provided for the current year $961,000 is sequestered.

Mr. Watkins, we again welcome your appearance and that of your other Commissioners before the subcommittee. Your complete opening statement will be included in the record at this point.

[The statement follows:]

STATEMENT OF RALPH A. WATKINS, JR.

My fellow Commissioners and I, as well as our staff members, appreciate the opportunity to appear here today. As you are aware there have been a great many major activities affecting the Relocation Commission since we last appeared before you. I would like to take this opportunity to discuss some of the occurrences during the past year, as well as the Commission's policy on pending activities.

We are pleased to be able to report to the committee that the five ranches selected by the Navajo Tribe in June 1983 have all been acquired through the strenuous efforts of the Bureau of Land Management. This means that, to date, approximately 215,000 acres have been made available for Navajo families awaiting relocation. Pursuant to the authority of Public Law 96–305 the Navajo Tribe also identified two additional ranches, presently owned by them in fee, to be taken into trust for relocation purposes. To date these ranches have not been made available although the Commission has received assurances from Chairman Zah that the land will be turned over as soon as a resolution to do so is introduced and passed in the tribal council. When this is accomplished there will be approximately 365,000 acres of new land available which will provide an opportunity for some of the more traditional families to graze and to move with their extended family groups.

During the last 6 months, the Relocation Commission has been working with the Bureau of Indian Affairs and the tribe to determine the number of families remaining on the Hopi partitioned lands [HPL] who are subject to relocation. The Bureau of Indian Affairs reports 233 Navajo families are currently residing on the Hopi partitioned lands. The Navajo Tribe's most current estimate is that there are 905 adult Navajos who are currently residing on these lands. The Commission currently estimates approximately 300 Navajo heads of household still residing on the Hopi partitioned lands. The numbers are different because each agency and the tribe have a different set of parameters for determining inclusion on the list. The Commission is continuing to work with the Bureau of Indian Affairs and the Navajo Tribe to establish an acceptable reporting format which will clarify the categories in which all of these individuals fall.

During the last year the Commission also completed what we felt was sufficiently comprehensive planning, and transitioned to site specific engineering. The Commission had reached the piont of nearing completion of its full operational plan for utilization of the new lands in December 1985. With the passage of Public Law 99–190, and in accordance with its provisions, the Commission prepared a comprehensive report to Congress which summarized its plans for completion of the relocation project. That report was submitted to Congress on February 15, as prescribed by law.

Also, as a result of Public Law 99–190 the Assistant Secretary of Indian Affairs has become very much involved in the relocation process. In a spirit of full cooperation the Commission has entered into a memorandum of understanding with the Assistant Secretary to provide for additional survey work regarding the desires of relocatees in relationship to residence patterns on the new lands. The details of this survey project are contained in a reprogramming request which has been approved by OMB and forwarded to the committee. At this point in time it appears that the survey will begin in late July and take approximately 120 days to complete. The current memorandum of understanding with the Bureau of Indian Affairs extends to the provisions of this survey only. The Commission is currently in the process of revising its plan to insure that we are in a position to carry out our mandated responsibilities for relocation following the receipt of results of this survey.

I would like to address one other issue that seems to have been a matter of concern and some possible misunderstanding. This is the matter of the Commission's historical requests for sufficient resources to complete the relocation program within the originally envisioned timeframe. As you know, the Navajo and Hopi Indian Relocation Commission is an arm of the administration. As such, our request for authority and funding must be balanced with the administration's priorities across the full spectrum of Federal programs.

We are, therefore, properly constrained by regulation from coming forward with authority and funding level proposals which are not in accord with the administration's overall priorities. Therefore, broadened authority requests and enhanced funding levels not in accord with the administration's priorities are properly not made a part of the official record. I feel I must piont out, however, that the Commission has made the committees aware, in every legitimate forum over the last several years, of our estimate of the resources necessary to complete the relocation program. In may 1984, at the request of the Senate Appropriations Committee, the Commission submitted a comprehensive report detailing what it considered to be the resources necessary to complete relocation.

One year ago, the Commission forwarded to the committees a report detailing a land development fund and specified the resources required to address development on four of the ranches that we anticipated would be acquired during fiscal year 1986. In the report to Congress, required by Public Law 99–190, the Commission has again detailed its plan for completion of relocation and included therein appendices which reflect our estimate of the resources required to complete this program.

There are many factors, which are in the process of resolution at this point in time, that bear on Commission plans for future relocation activity. I believe that the relationship between the Bureau of Indian Affairs and the Relocation Commission is becoming clearer, as a result of meetings between all of the principal participants, and that within the near future there will be agreement among all parties as to how we should proceed.

The memorandum of understanding with the Bureau of Indian Affairs calls for the completion of the survey which has been discussed above. In accordance with the provisions of Public Law 96–305 which states in part, "* * * control over and responsibility for completing relocation shall remain in the Commission", the Commission will be preparing a revised estimate of staff resources required during fiscal year 1987 to carry out approximately 500 relocations. Given the Commission's level of authority for housing funds, and the amount of money which we believe will remain to be expended by the Bureau of Indian Affairs, there will be sufficient funds for approximately that number of relocations during fiscal year 1987. The question of legislation currently pending which would alter, in major ways, the relocation effort, presents some problems.

The ability of either the Bureau of Indian Affairs or the Commission to accurately gather information and solicit involvement of HPL residents is impaired by the possibility of a major change to the law. This is, however, not the first time that the Commission has worked under these kinds of constraints, and we believe we will be able to move forward with the survey and accomplishment of the initiation of relocation to the new lands in spite of the indecision in the minds of many of the relocatees based on this pending legislation.

Mr. Chairman, that concludes my formal statement to the committees. The Commissioners will be pleased to respond to any questions which you may have at this time.

INTRODUCTION OF ASSOCIATES

Senator McClure. If you will introduce those with you at the witness table, we will proceed with the questions.

Mr. Watkins. Good afternoon, Senator. It is good to be with you again.

To my right is my Vice Chairman, Mr. Hawley Atkinson; Commissioner Sandra Massetto, to my left; Mr. Christopher Bavasi, our Executive Director, to the right of Mr. Atkinson; and Michael J. McAlister, Director of Management is behind me; Paul Tessler, Director of Operations, and Mr. Fred Craft, sir, counsel, behind me.

Senator McClure. Thank you very much.

COST OF PROGRAM

In the continuing debate over the relocation program, mention is often made of the fact that current estimates of households to be relocated and the cost of relocation are substantially in excess of the representations made to the Congress during consideration of the Relocation Act.

In order to better understand some of the reasons for this situation, we asked your staff to provide information on the number of heads of household who were under 18 years of age in 1974. One could assume that at that time these individuals would not have been considered as separate households, but rather, would have been counted in their parents' households.

According to the data we have obtained of the 972 families who have received relocation benefits, 141 heads of household were not 18 in 1974.

Of the 1,539 certified families awaiting relocation, 613 heads of households were not 18 in 1974.

And, of the 540 cases where an appeal of eligibility denial has been filed, 205 heads of household were not 18 in 1974.

If we assume an average total relocation cost of $75,000 per household, funds in the amount of $10,575,000 have already been spent on behalf of those heads of household who were not 18 at the time of enactment of the relocation bill, there is an outstanding obligation of $45,975,000 for those who have been certified eligible, and a possible additional expense of $15,375,000 if all pending appeals were approved.

This then provides a range of between $56,550,000 and $71,925,000 in relocation funds that have been or may be spent on behalf of individuals who were under 18 years of age at the time of enactment. Of the 2,511 households which have been certified eligible, 754 are headed by persons not 18 in 1974. This is 30 percent of the total.

Mr. Watkins, would you agree that the lack of a date certain by which individuals are determined to be considered eligible as heads of household has contributed to the increased numbers of families to be moved, and the increased costs associated with the relocation program?

Mr. WATKINS. Yes; I do, Mr. Chairman.

Would you like me to elaborate on that at all?

Senator MCCLURE. Surely.

Mr. WATKINS. According to the regulations and according to counsel, we think that the Commission has the authority to discontinue that on or before July 6, according to the regulations we now have.

But, in anticipation and trying to be above board and fair with everybody concerned, I have asked staff to draft a proposed amendment to the regulations. And they are telling me that if we pursue it and the Commission wanted to, we could have that in place by July 6.

Senator MCCLURE. I suppose that is pretty difficult, perhaps impossible, and maybe even unthinkable to try to go back and undo what has already been done.

Mr. WATKINS. Yes, sir.

Senator MCCLURE. You would agree with that wouldn't you?

Mr. WATKINS. Yes, sir.

Senator MCCLURE. Eagerly agree with that.

Mr. WATKINS. Yes, sir.

ELIGIBILITY CRITERIA

Senator McClure. It does seem to me that we have got to cut it out somewhere. We may have erred in the first place in not having been certain as to the date. But certainly, some certainty at some point must be injected. What would you do if you were a family head and you had children just under 18, would you be anxious to accept relocation and get it done, or would you try to delay it for a year or two to qualify another one or two of your family?

Mr. Watkins. I'd stay on the reservation until my children became 18.

Ms. Massetto. I think that is unfair.

Senator McClure. Why do you think that is unfair?

Ms. Massetto. For several reasons.

One, there is an assumption that Navajo families would do something that is less than honorable.

Senator McClure. Oh, I didn't say it was less than honorable. I think it would be less than honorable if you didn't try to take care of your family.

Ms. Massetto. The fact is, Senator McClure, as you pointed out, maybe the original act was not artfully drawn. But the act specifically stated that this program was to be generous and we were to attempt to minimize the impact of the harsh reality of relocation. And one of the ways that that has been done is to recognize that families grow and get older, and that they have a right to some kind of home. And I don't think that is a terribly unfavorable position for the Congress to take.

Senator McClure. Bypassing the question of whether it is honorable, would I understand that you would like to keep eligibility open for an indeterminate period in the future?

1986 DEADLINE

Ms. Massetto. Well, I think that quite frankly, we are coming to the end of the road.

Senator McClure. I hear that once a year.

Ms. Massetto. I know that. And I haven't been one that has been up here been saying that, but the time has come when things are going to be cut off.

But the fact of the matter is that the court order has prohibited families from building homes out on the joint use area [JUA], and that they would have had homes but for the fact that they couldn't do that. And I think that it is, maybe not desirable, but there has got to be some kind of justice in allowing those families to be relocated and settled.

Senator McClure. I understand that.

But, if the delay occurred either by their own action or by someone else's action, to include new members of the family as independent heads of the household, it vests them with something that they did not have prior to the delay for whatever reason.

Ms. Massetto. What they would have—the fact of the matter is, if the land dispute had not been there, those families more than likely would have built homes and would have been out there living as individual family units.

ELIGIBILITY REQUIREMENTS

Senator McCLURE. They would have built homes and been out there living, and their children would have grown up and left that home without any home being provided for them.

Ms. MASSETTO. Possibly.

But they may have had a home there. The fact of the matter is that fortunately——

Senator McCLURE. They could still have that home there.

Ms. MASSETTO. Well, the fact is that enumerable families live in two or three rooms out on the reservation, and that is caused by the fact that there is a building freeze out there.

Senator McCLURE. That is caused—excuse me, I didn't hear you.

Ms. MASSETTO. By the building freeze, court order. The court has ordered that there can be no new construction out on the reservation.

Senator McCLURE. I understand some of that dilemma. But, I don't understand why we feel it is necessary to create new housing for new heads of households simply because of delay.

Ms. MASSETTO. Compulsory relocation, historically has created those problems. And we, as a government, either disregard it or deal with it. And I think it is better that we deal with it.

Perhaps we should not have been as generous as we have attempted to be. But the fact is that Navajo families live in extended families, and I think it is constructive and good that we have proceeded in the way that we have proceeded.

Senator McCLURE. Would you support setting a termination date?

Ms. MASSETTO. Yes; I think we are now at a point where we need to do that. Yes.

ELIGIBILITY CUTOFF DATE

Senator McCLURE. Mr. Watkins has suggested we tie it to that other date that is already there, July 6.

Ms. MASSETTO. I have a little problem with the July 6 date. I think it is a fabrication. There is nothing in the law——

Senator McCLURE. What date would you like to fabricate?

Ms. MASSETTO. Well, the law says—we tie ourselves to a date, and the law says relocation will be carried out in accordance with the relocation plan and which will be done in 5 years. That's how we get the July date.

My position is, we have never put a plan together and there is no date. But, you know I am at a point in time now, the families have been identified, and we can proceed to a number that will accommodate the Congress' concern about how many and how much.

RELOCATION PLAN

If we had a plan, quite frankly, 5 years ago, we would have known how much it was going to cost. We have never had a plan.

The whole purpose of the plan was, one, to move families in a meaningful way, and two, to give Congress some idea of what the cost of this program was going to be.

Senator McClure. Mr. Atkinson?

Mr. Atkinson. Senator, I disagree with Ms. Massetto about 95 percent of what she said.

Now Ms. Massetto was a member of the Commission when we put together the report. There was no public dissension on that. Now she comes back at this date—it simply isn't true.

We gave a report and plan to the Congress, and they accepted it. Probably one of the few things they have ever accepted with full vote, and nobody voted against it.

Now, Ms. Massetto has never really come to me since we submitted the report and plan, talking about we don't have a plan. That was the place to do it. But, she uses this as a public forum in which to make statements, Senator. They are highly inaccurate.

If you would like, we will take her testimony that she has given here and excerpt it for you and send it back.

Senator McClure. I would appreciate any comments either of you would make. I do view personally, the fact that you did submit a plan, that plan was not rejected by the Congress, and that was 5 years ago. Five years ago this summer.

So, at least this Member of the Senate believes a plan was in existence. If, as a matter of fact, there are others who disagree, I would like to know why they disagree. I would invite you to submit that statement for the record. And certainly we will receive comments from the Commission members on that point.

COMPOSITION OF MLD FAMILIES

The Commission currently estimates that at least 239 eligible households remain to be relocated from the Hopi partitioned lands. In addition, it is estimated that approximately 70 additional Navajo families residing on lands partitioned to the Hopi Tribe, have not applied for relocation benefits. Statements are often made that families remaining on the HPL represent the most elderly and the most traditional of the Navajos.

According to Commission data, however, 96 of the eligible households still residing on the HPL are headed by individuals who were under 18 in 1974. This is about 40 percent of those eligible households on the HPL.

Mr. Watkins, can you tell us if those 96 heads of household maintain separate domiciles on the HPL, or if they are living with members of an extended family?

Mr. Watkins. I don't think we are prepared to answer that, Senator, unless Mr. Tessler has something.

Mr. TESSLER. I can tell you, Senator McClure, some of them clearly do reside in other households, but I don't have figures today to tell you how many.

Senator McCLURE. Could you supply that for the record? Is it readily available to you?

Mr. TESSLER. I believe it is.

Senator McCLURE. Do it, please.

[The information follows:]

Upon review of the question and availability of Commission date, it is not possible to provide an answer.

HOMESITE LEASES

Senator McCLURE. Apart from the numbers of applicants who have been certified eligible for benefits, has the Commission any estimate of the actual number of homesites on the HPL which are currently occupied by members of the Navajo Tribe?

Mr. TESSLER. Again, those would be the people who have not applied. And our estimates for the past several years have been that there are 60 to 75 families who have not and will not apply.

Senator McCLURE. I'm not talking about heads of household or individual households. I am talking about domiciles.

Mr. TESSLER. Are you asking how many people—how many households do the 300 actual residents occupy?

Senator McCLURE. Yes; or in the obverse of that, how many domiciles are there as distinguished from how many heads of households you might identify?

Mr. TESSLER. There are times when families, more than one family or one head of household is in a domicile. And I would like to submit that for the record.

Senator McCLURE. If you would, please. And you might, if you can easily at the same time, separate out from that how many of those who have become 18 since 1974.

Mr. TESSLER. I will do that.

[The information follows:]

Upon review of the question and availability of Commission date, it is not possible to provide an answer.

BIG MOUNTAIN

Senator McCLURE. Mr. Watkins, the Commission is all too aware of the significance of the Big Mountain area in the question of relocation. From the various maps I have seen of the area, it appears that no one uses an identifiable geographic boundary to the area. Rather, the various Big Mountain proposals seem to be drawn to take in residents of surrounding areas.

According to the Board of Geographic Names, Big Mountain is 12 miles long, located 18 miles northwest of Pinon and is bounded on the east by Dinnebeto Wash and on the west by Moencopi Wash.

The exchange proposals I have seen range from about 21,000 acres to 200,000 acres. If one were to use the geographic definition of Big Mountain, can you give us an estimate of the number of acres involved and the number of families that live within these boundaries?

I have a specific geographic definition, if you need that in order to answer the question.

Mr. WATKINS. I have seen your geographic definition, Senator. May I commend staff. It is the first time since I have been on the Commission, 3½ years, I have seen a definition of where Big Mountain truly, honestly, is.

Senator MCCLURE. We would like to have your comments.

Mr. WATKINS. Can we give you an estimate of the number of families?

Senator MCCLURE. Yes.

Mr. WATKINS. Within the Big Mountain area, according to this geographic description?

Senator MCCLURE. Yes.

Mr. WATKINS. I think we are going to have to go back and look at this geographic description on the map, to determine how many are in that area.

Is that correct, Mr. Tessler?

Mr. TESSLER. Yes, sir.

[The information follows:]

Enclosed is a map of Big Mountain as described in the question and a list of those persons living in the area. Essentially, two extended families live there.

[CLERK'S NOTE.—The map has been placed in the committee files.]

POPULATION ON WEST SIDE OF BIG MOUNTAIN

Ms. MASSETTO. Senator, the area west of Big Mountain itself from Wide Ruins to Moencopi Wash is where many families live. It is highly populized.

I cannot give you an estimate myself, but just looking at the houses and knowing the area there, it is on the west side of Big Mountain where most people live.

Senator MCCLURE. What I am trying to do is, look at the different proposals that have been made and determine where the people live with respect to the various proposals that have been made. Because I do believe, as was stated before, that a number of the proposals are not really an honest attempt to define Big Mountain, but rather an attempt to include families.

Mr. WATKINS. Senator, Senator Goldwater, when he was trying to establish some position where we could do an exchange for Big Mountain with the Hopi and Navajo Nations, they were talking in terms—this is not for the record—they were talking in terms of 60 to 70 families. Whether that has any credence today or not, I don't know, with these geographic maps.

Senator MCCLURE. In fact, it may not be the same families or the same locations.

Ms. MASSETTO. The original Goldwater bill, the exchange bill had a plus 10 families that had to be relocated under that definition. It did not deal with the populated area in northern JUA.

Senator MCCLURE. The Geological Survey provided us with a map of the area which they last revised in 1970. According to that map, within the geographic boundaries of Big Mountain, there were only three hogans and two corrals in the Big Mountain area in 1970.

We have asked Geological Survey to see if they have any more recent maps of the area.

Would maps containing such detail be of any benefit to the Commission?

Mr. WATKINS. Absolutely, Senator.

TRIBAL RANCHES

Senator MCCLURE. Your opening statement indicates that Peterson Zah, chairman of the Navajo Tribe has assured the Commission that the two tribally owned ranches will be made available for relocation as soon as a resolution to do so is introduced and passed by the tribal council.

Given the fact that the Udall-McCain bill proposes to transfer these two ranches as well as all the lands acquired by exchange to the Hopi Tribe, when do you anticipate that the Navajo Tribal Council will act on such a resolution?

Mr. WATKINS. There is no way to determine that timeframe, Senator.

REPROGRAMMING

Senator MCCLURE. The Committee has received a draft reprogramming proposal with respect to the proposed survey of HPL residents. While we realize that the figures were developed by the Bureau of Indian Affairs, there are several areas which we hope you can clarify.

First, $5,000 is requested for a purchase order for the period of February 24 to March 22. Has that purchase order been paid, and if so, from what source?

Mr. WATKINS. No, sir. And we have not had a request to pay it.

Senator MCCLURE. Maybe we don't have to. [Laughter.]

Mr. WATKINS. Hopefully so. But I don't think that is going to come to pass, Senator.

Senator MCCLURE. I expect that is right. If it is owed, it ought to be paid. Some $31,740 is requested for salaries and benefits for three BIA personnel who are already on the Federal payroll.

While we can understand the request for additional travel and per diem costs for BIA personnel, it would seem that the Commission's picking up a portion of their salary costs would simply result in a small windfall to the Phoenix area office of the BIA.

We consider these salary costs to be inappropriate. Do you disagree?

Mr. WATKINS. I'm going to make my statement, but hopefully the other Commissioners will make their statement.

Yes; I do disagree.

Senator McClure. Can you tell me why?

Mr. Watkins. Because I think that has already been appropriated and the BIA has the funds in their appropriation—excuse me, I'm sorry.

I agree with what the chairman suggests.

Senator McClure. Are there others who disagree?

[No response.]

Senator McClure. The survey proposes to have nine teams of three persons each conduct the survey. The budget proposes 16 weeks of 4 10-hour workdays. Additionally, there is requested 15 hours of overtime each week for each individual. Thus, we will be paying for 5½ workdays each week for 16 weeks.

It is not unreasonable to assume that not all of the estimated 239 eligible households on the HPL maintain separate domiciles. We are not certain. But, I think that is correct. If we estimate that one-third of the households are part of an extended family, that would reduce the number of domiciles to be visited to 159. Each team, would, therefore, be responsible for visiting 17 domiciles during a 14 week period, which allows 2 of the 16 weeks for training.

When we figure in the overtime requested, it would take 4½ days to conduct a survey at one domicile. Even taking into account travel time and meetings with the contractor who is responsible for collating the data, that seems to be excessive.

Has any plan been developed designating the areas each team will visit and the number of households in the area as a basis for this request?

Mr. Watkins. Mr. Chairman, the Commission originally met just 5 short weeks ago to execute the memorandum of understanding. Our communication has been with counsel in Washington, and Chris Bavasi as the Executive Director, and originally they came and told us, told me, that they had requested $860,000. And I thought that was way in excess of what they should be talking about.

So, staff has been coordinating with them to try to get it down to a particular point.

Chris, do you want to respond any further to that?

Mr. Bavasi. Mr. Chairman, the figure now for reprogramming is closer to $500,000.

To answer your question specifically, has a plan been developed designating the areas each team will visit, no, they have not developed that plan yet.

Of to the number of households in the area as a basis for this request, each individual household will be visited. And we have raised the question similar to yours, about how much time this will take. And we do have some concerns that we may be overstaffing this particular function.

Senator McClure. I don't mean to nit pick at all, but it seems to me that there is a generalized sum and a kind of generalized plan, but no detail as to how it will be done and what the costs are.

You have apparently already revised that plan. We would like to have your revision and whatever other information you can give us as to the detail that justifies the reprogramming.

Mr. Bavasi. We agree, Senator, and as soon as we have that detail we will be able to get it to you. Unfortunately, we don't have that detail at this point.

Senator McClure. How soon will you have it?

Mr. Bavasi. Hopefully within the next several weeks.

Mr. Watkins. This is a BIA request, Mr. Chairman, as you are aware, not ours. OK?

Senator McClure. Yes; I understand that.

Ms. Massetto. Senator McClure, I think those meetings—I think there are three meetings planned. I don't think there is just one meeting at the household.

Senator McClure. With each household?

Ms. Massetto. I think there are three meetings planned.

Senator McClure. While it is a BIA proposal, it is your money.

Mr. Watkins. Yes, sir.

Senator McClure. Just as a matter of point, a relatively small point of the overall total, the submission indicates 15 hours of overtime are requested for each individual, each week. Two of those weeks are training weeks. Do you really anticipate 15 hours of overtime for an individual in each training week?

Mr. Bavasi. It is possible.

Senator McClure. All things are possible.

Mr. Bavasi. It is not as likely, quite frankly, in the training as it would be in the actual operation. But, it is possible.

Senator McClure. Would you again take a look at that and submit the data to BIA and consult with them on what their proposal is? Because this seems to me that we don't have very much justification upon which we can make a decision as to the reprogramming.

Mr. Bavasi. Yes; I would be delighted to do that.

[The information follows:]

This matter has been addressed in a reprogramming of funds to facilitate the BIA survey.

BIA 1987 BUDGET FOR ADMINISTRATION

Senator McClure. The Bureau of Indian Affairs has also developed a tentative budget for administrative and other expenses for fiscal year 1987.

Would you please provide a thorough analysis of that budget and indicate which items are not covered in the Commission's request for fiscal year 1987?

Mr. Watkins. Mr. Chairman, we will submit it for the record.

Senator McClure. Thank you very much.

[The information follows:]

Enclosed are BIA estimates dated March 31, 1986, of funds needed in fiscal year 1987 for new lands. Since responsibility for development of the new lands is still in question further analysis is not possible at this time.

PROVIDE ELECTRICAL SERVICE TO HOMESITES

	Homesites	Cost
Range cluster homesites—Estimate cost $9,600 per mile (55 miles). Source: Continental Divide Electrical Cooperative, Inc., Gallop NM	22	$529,900
Disperse range homesites—Estimate cost $7,000 per homesite. Installation of solar panels and storage batteries to provide electrical service to 20 heads of household who wish to continue to live in a traditional life style and whose income will not accommodate monthly electric bills	20	140,000
Community homesites—Estimate cost $9,600 per mile (4 miles). Electricity to serve two 25 homesite rural communities	50	38,400
Service connections—Estimate cost $1,500 per homesite. Source: Continental Divide Electrical Cooperative, Inc., Gallup, NM	158	237,000
Purchase of right-of-way of powerline—Estimate cost $2,000 per mile (2.25 miles)		5,000
Subtotal		948,400

Note.—Assume that most of the right-of-way will cross within the new lands and we do not expect the Navajo Tribe to charge for rights-of-way.

FISCAL YEAR 1987 FUNDING NEEDED FOR RANGE IMPROVEMENTS—NEW LANDS

Item	Number	Cost/unit	Total
Maintenance and repair costs of existing range improvements:			
Well	63	$10,750	$677,250
Drinking trough	91	500	45,500
Storage tank	66	1,000	66,000
Stock pond	21	1,000	21,000
Spring	5	500	2,500
Plastic water pipeline (mile)	49.9	200	9,980
Unit boundary fence (mile)[1]	176.5	500	88,250
Outside boundary fence (mile)	192.0	500	96,000
Cross fence (mile)	197.8	500	98,900
Existing corral	49	500	24,500
Subtotal			1,129,800
Cost of new facilities:			
Storage tank (20,000 gallon)	15	18,000	270,000
Windmill head (replacement)	12	14,000	168,000
Windmill tower	8	3,500	28,000
Plastic water pipeline (miles)			
Drinking trough	31	500	15,500
Stock pond			
Spring	2	1,000	2,000
Unit boundary fence (mile)[1]	11.7	5,000	58,500
Outside boundary fence (mile)			
Livestock facilities (corrals)	9	4,000	36,000
Subtotal			578,000

[1] This mileage figure represents 50 percent of the common boundary with adjacent unit.

Note.—The funds for fiscal year 1987 O&M of the existing range improvement on the new lands are necessary if the 18 month timeframe for resettling those families residing on the HPL are to be achieved.

The O&M existing fences will require the hiring of two, five-man labor crews. To the extent possible those individuals being resettled will be recruited to conduct this activity.

FISCAL YEAR 1987 FUNDING NEEDED FOR ROAD CONSTRUCTION—NEW LANDS

Item	Number	Unit/cost	Total
Road construction cost:[1]			
Road cluster housing (mile)	45	$100,000	$4,500,000
Rural community housing (mile)	5	175,000	875,000
Subtotal			5,375,000
Archeological cost (mile)	50	800	40,000
Right-of-way (mile)	50	600	30,000
Field surveys (mile)	50	4,500	225,500
Project design (mile)	50	2,000	100,000
Subtotal			395,500

[1] All roads specified are grade and drain without gravel surface. Roads for range clusters would be 18 feet wide; roads for rural communities would be 20 feet wide. The roads provided would be preparatory in nature; further expenditures would be needed to provide permanent roads. An additional 35 miles of roads will be required for the outer loop road system. This system would be funded and constructed in out years. The cost of $100,000 per mile of road to a grade and drain, without gravel, standard, is distinguished from the $300,000 per mile with the cost where gravel is added.

These funds would otherwise be expended under Federal highway trust funds [FHTF] appropriated in fiscal year 1986 which cannot be expended due to FHTF requirements.

The expenditure of these funds would be proposed by the Commission rather than the BIA under the Commission change to administer the new lands. Since the Commission has not chosen to expend funds for the purpose to date, this budget assumes that the Commission does not intend to perform the needed services.

FISCAL YEAR 1987 FUNDING NEEDED FOR DOMESTIC WATER—NEW LANDS

Item	Number	Unit/cost	Total
Cost for range cluster water system: Windmill with storage[1]	42	$50,000	$2,100,000
Cost for rural community housing water system: Community water system[2]	2	18,000	900,000

[1] Range cluster and dispersed housing domestic water systems proposed consist of windmill and a 20,000 gallon storage tank with distribution system to serve 25 persons or less per well. This figure is in addition to category No. 2 of 50 heads of household.

[2] Community domestic water system proposed consist of a well, pump house, a 25,000 gallon storage, with distribution system to serve 25 or more households based on 350 gallon of water use per house per day.

Note.—These costs would be included in IHS fiscal year 1986 appropriation if those funds could be obligated within the 1986 fiscal year. Under present circumstances those funds cannot be so obligated. Additional, IHS representatives have informed the BIA that construction of these facilities by IHS cannot begin in fiscal year 1987.

FISCAL YEAR 1987 FUNDING NEEDED FOR WATER REPORTS TO SUPPORT DOMESTIC WATER DEVELOPMENT—NEW LANDS

Item	Number	Unit/cost	Total
Ground water site feasibility reports	27	$1,200	$32,000
Water quality assessment of surface and ground water and design of a water quality monitoring network	1		35,000
Subtotal			67,000
Fiscal year 1987 budget for all items, excluding housing construction			12,313,924

Note.—Site feasibility reports will give water bearing strata, thickness of the aquifers, estimated yields in gallons per minute and quality of the water to support planning for range housing and rangeland use. The water quality assessment and monitoring network is to address the radio-nuclide question of water contamination.

ZAH LETTER

Senator McClure. Mr. Watkins, has the Commission received a copy of the April 17 letter from Chairman Zah to Assistant Secretary Swimmer regarding the survey and the development of new lands?

Mr. Watkins. No, sir.

Senator McClure. In that letter Chairman Zah takes the position that since the new lands are taken in trust for the tribe, that current tribal policy should be followed with regard to the size of the homesite leases, eligibility for moving to the new lands, the type of infrastructure and the grazing management decisions.

The law, as you are aware, gives the Commission the responsibility to administer the new lands until relocation is completed. Does the Commission take the position that development of the new lands need not necessarily be consistent with current tribal policies?

Mr. Watkins. We have not—the Commission has not been doing that. But the tribe has been involved in all of our discussions in all of our regulations, and the Commission would not give away any authority the Commission now has by law.

Senator McClure. So you will continue to administer and consult with the tribes, but you don't feel yourself necessarily bound by tribal policy?

Mr. Watkins. That's my policy.

Senator McClure. Is there any other expression from the Commission?

Ms. Massetto. I think tribal sovereignty always should be respected, whether we are in the Department of the Interior or a free, independent member of the Commission.

The purpose, I think, of the administration is to expedite relocation, and we can do that consistent with current tribal policy. There won't be a problem.

Senator McClure. The responsibility is the Commission's and of the BIA set out by law. And they are somewhat different, however.

Ms. Massetto. In what respect?

NEW LANDS ADMINISTRATION AUTHORITY

Senator McClure. With respect to the authority and responsibility for the management of the relocation lands, pending completion of the relocation.

Ms. Massetto. We have authority under the 1974 act to administer the lands, yes, sir.

Senator McClure. Yes; and no mandate, as BIA does with respect to the adherence to tribal policy.

Ms. Massetto. I don't think we are so independent that we don't do things consistent with ongoing law.

Senator McClure. Excuse me?

Ms. Massetto. I don't think we operate separately from the ongoing responsibility under title 25, which is the Department of the Interior.

Senator McClure. You have a separate statutory authority.

Ms. Massetto. We have special statutory authority for particular purposes. But we certainly can operate in consistence with existing laws.

Senator McClure. The existing law applies to the Commission.

Ms. Massetto. We have special statutory authority over land administration of the new lands. We do not have authority on rights of way, we do not have authority on mineral rights. All those things are under title 25, and I think that we are subject to ongoing statutory authority for those issues.

Senator McClure. I certainly don't mean to intrude in the Commission's affairs in judgments on that matter, but I think to argue that since you are subject to certain provisions of general statutes, that you are subject to all the provisions of general statutes, ought to send you back to consultation with your counsel.

The Navajo Tribe has requested execution of a memorandum of understanding between the tribe and the Bureau of Indian Affairs with respect to the development of the new lands.

Mr. Watkins, your opening statement indicates the law states in part, and I quote: "Control over and responsibility for completing relocation shall remain in the Commission."

In view of this, do you feel that a separate memorandum of understanding between the BIA and the Navajo Tribe with respect to development of the new lands is appropriate?

Mr. Watkins. No, sir.

Senator McClure. The opening statement also notes that the current memorandum of understanding between the Commission and the BIA extends only to the survey.

As the Bureau currently has almost $22 million with which to build homes for relocatees, what type of agreement do you envision beyond the survey?

Mr. Watkins. Of course, as you know, Mr. Chairman, we do not have an agreement as of yet. But, looking down the road after the survey, I would hope somebody would join in with me here, too, because I would assume after that is completed the BIA would use our staff and our facilities and our functions to go ahead and complete the houses with the new moneys that are made available.

Does the staff—Chris, do you have anything else to add to that?

Mr. Bavasi. No, sir.

IHS INVOLVEMENT

Senator McClure. At a recent meeting in Washington, it was agreed that the Indian Health Service would become a signatory to the present memorandum of understanding.

Has that been accomplished?

Mr. Watkins. Not to our knowledge, sir.

Senator McClure. Do you know of any problem?

Mr. Bavasi. Mr. Chairman, there was a recent meeting between IHS and BIA to which we were not invited, and were not privy, really, to what went on at the meeting.

However, our understanding is they are working toward a memorandum of understanding. However, that is about as knowledgeable as I am on the subject at this point.

Senator McClure. Well, I think we may be in danger of getting into the very silly position of having BIA building houses that are not approved by the Commission, are not consonant with the Commission plan on relocation. And at the same time, the possibility that they might build houses that the Indian Health Service might not approve.

Either of which would seem to me to be a bad result.

I think there is a need for coordination between the various entities so that not only are the Indian people treated fairly, but that the plan move forward as surely and as quickly as it is possible to do.

I don't see how that can be done with any degree of confidence unless the Commission and the BIA and the Indian Health Service are moving in concert with respect to the house building.

Mr. Bavasi. I would agree.

COORDINATION EFFORTS

Mr. Watkins. Mr. Chairman, we are making every effort to fulfill just what you explained to us. We are just in the beginning stages, and as Congress knows and we are finding out very rapidly, it takes a while to accomplish these goals that you just put forth for us.

But, we are going to get it accomplished.

Senator McClure. How many relocatees carrying a CCD code have been relocated this year?

Mr. Watkins. Twenty-six out of one hundred and five.

Senator McClure. We were recently informed that of the remaining CCD's, approximately 145 have either received a homesite on the Navajo reservation, or have a homesite application pending.

What action is the Commission taking to expeditiously move the approximately 70 families living on the HPL who have approved homesite leases?

Mr. Bavasi. The priority—the move priorities for the Commission have been for the last number of years, CCD's as the top priority, plus their extended families.

Now that BIA is predominantly developing the new lands, our additional priority is CCD's that have homesite leases. So they are now our top priority.

Senator McClure. I'm a little startled by something you said, because you said now that the BIA is developing those lands.

I don't understand that we ever gave them the authority to develop those lands. We gave them the money to build houses.

Why did you use the term now that BIA is developing those lands?

Mr. Bavasi. It is a point well taken. I misspoke.

What I meant to say was, now that the BIA is involved in this survey, that has delayed us in terms of being able to move people to the new land. Therefore, the CCD that has a homesite lease is now at the top of our priority list to be moved.

Senator McClure. Let me just focus on that problem for just a moment.

Mr. Watkins, do you agree—is that your view of what statutory authority has been invested in BIA?

Mr. Watkins. According to the law, Senator?

Senator McClure. Yes.

Mr. Watkins. I'm the lay person. I'm not the lawyer around here.

Senator McClure. I may get a straight answer. [Laughter.]

Mr. Watkins. This is one of the areas that we are trying to resolve, Senator. We met with Assistant Secretary Swimmer last night for 3 hours to try to unravel some of the problems that we see now, or down the road, so that we can get those people taken care of and stand up and salute the President and the Congress and say, "Everybody, we are through with the job, and you put us out of business."

That is what we are trying to do, sir.

Senator McClure. Amen. I hope you can do it.

Mr. Watkins. We are trying.

Senator McClure. I don't want to be obstructive in that process. I want to be helpful in moving toward a favorable resolution of the several problems that remain.

Mr. Watkins. I don't anticipate any problem right now that we can foresee that the BIA and this Commission cannot resolve.

HOMESITE LEASE PROCESS

Senator McClure. Once notification is received of a homesite lease approval, does the Commission contact the relocatee, or is it the responsibility of the relocatee to contact the Commission?

Mr. Watkins. We contact the relocatee.

Senator McClure. What is the average lapse of time between notice of approval of a homesite lease and the actual relocation of the family to a new home.

Mr. Watkins. I don't know if we can give you a definite answer to that.

Paul, can you give him a guesstimate?

Mr. Tessler. Considering the construction period of the new home, it is something more than 6 months and less than a year. But that is something I would have to look at statistics back in Flagstaff.

Senator McClure. That's the average, or is that the optimum?

Mr. Tessler. Six months is the minimum. The optimum would be higher than that.

HOMESITE LEASES

Senator McClure. I see a shaking of the head down there.

Ms. Massetto. We have had 300 homesite leases pending for a considerable time. I think you can't use construction timetables with respect to how long people are waiting on location, because it has been longer than that.

Senator McClure. Well, there is an approval process, and that takes some time.

Ms. Massetto. Yes.

Senator McClure. Maybe 18 months.

Ms. Massetto. It could be, yes. What happens is, families have to apply. And the areas surveyed has to be approved by the chapter areas. And then the tribal area offices. The process takes about 15 months.

Senator McClure. And then it is after that time that I was asking, from the end of that time to the time they are actually relocated, what is the average length of time the——

Ms. Massetto. Twelve months.

Senator McClure. Thank you.

Senator DeConcini?

Senator DeConcini. Mr. Chairman, thank you for allowing me the opportunity to be here on one of my favorite subjects of this committee.

Senator McClure. That is a lifetime work.

Senator DeConcini. It seems like it, and I don't have that many more years. [Laughter.]

I do welcome Chairman Watkins and Commissioners Atkinson and Massetto. You are all entrusted with the responsibility of implementing the law which is having a profound effect on people who find themselves victims of circumstances totally beyond their control.

Even the most ideal conditions would not make the task of moving tribes from ancestral lands an easy job. As you know, I seriously disagree with our use of relocation to address this situation. Nevertheless, here we are facing the July 6, 1986, deadline for completing the voluntary phase of the relocation.

EXTENDED FAMILY STATISTICS

So, I have a number of questions. Some I will submit. But, I would like to ask Chairman Watkins; of the families who are not current residents of the Hopi partitioned land, and have been certified as eligible for benefits, how many are members of the extended families of the individuals still residing on the Hopi partitioned lands?

Mr. Watkins. The numbers you are speaking of, Senator, are about 1,200 families.

But that is not the question you asked. Can somebody from the staff help me on that? There is 1,200 families on that. But I thought we put a number on that.

Mr. Bavasi. Senator, if the question is—if I understand the question, how many of the 1,200 families are the part of the extended families?

Senator DeConcini. That's right.

Mr. Bavasi. We think as high as two-thirds. Perhaps even more.

Senator DeConcini. Will still be residing on the Hopi partitioned land?

Mr. Bavasi. The 1,200 families are not.

Senator DECONCINI. How many are members of the extended families, and are the individuals still residing on the Hopi partitioned lands?

Almost all? I read some lips back there.

Mr. BAVASI. Yes; almost all.

Senator DECONCINI. You have got a big chore there.

Chairman Watkins, you requested $22.3 million for fiscal 1987. With this amount you intend to move 210 families. Is that correct?

Mr. WATKINS. No, sir; it is down to 170 after the Gramm-Rudman bill. Oh, it is 210, excuse me. Mike McAlister advised me properly.

Senator DECONCINI. First, where will these families be moved? Have you or the families themselves identified the sites where they will be relocated to?

RELOCATION SITES

Mr. WATKINS. For those who have been certified, they have identified sites. The sites they request, Senator, is where they will go to.

Senator DECONCINI. How many have been certified?

Mr. WATKINS. We have over 1,200——

Senator DECONCINI. Of the 210 families, all are certified, right?

Mr. WATKINS. Yes, sir.

Senator DECONCINI. Where will they be moving?

Mr. WATKINS. Can you put a definite—they will either be moving to the Old Navajo or off the reservation, one of the two.

Senator DECONCINI. Do you know what the breakdown is? How many will be moving to the old Navajo Reservation and how many off the reservation?

Mr. WATKINS. Do we have a breakdown on that?

Mr. TESSLER. The survey is what will show that, the survey that is proposed by the BIA. When that is completed, one element of it is where the families wish to move.

Senator DECONCINI. Wait a minute. If they already have been certified and they know where they are going, why don't you know where they are going? Why do you have to do a survey to find out where they are going if you already know?

Didn't you say that they know where they are going?

SURVEY OF RELOCATEES

Mr. WATKINS. Yes, Senator. And this survey is at the request of BIA, Mr. Swimmer. And we are trying to comply and trying to make ourselves available and as hospitable, as friendly and as courteous and helpful as possible. This is part of it.

And the information we have available is available to the BIA and hopefully they will use it and they won't have to do the complete survey.

Senator DECONCINI. Good. Can you tell me what that information is? How many will be on the reservation, how many will be off?

Maybe we can save the survey.

Mr. BAVASI. Senator, I missed the question.

Senator DECONCINI. How many of these 210 families are going to move on to the old Navajo Reservation and how many are going to move off the reservation?

Senator MCCLURE. Senator, can I interpose? Will you yield for the question?

Senator DECONCINI. Be happy to yield.

1986-87 FUNDING LEVEL

Senator MCCLURE. I don't understand, Mr. Watkins, why you view, or the BIA views the sequestration under Gramm-Rudman to have reduced the number of relocatees.

You had your appropriations before and we added $22 million to that. So, you are more than 100 percent of what you thought you would have.

Even after Gramm-Rudman, you are more than 100 percent of what you thought you would have. How can that then operate to reduce the numbers of relocatees?

Mr. CRAFT. Mr. Chairman, what Chairman Watkins is talking about is that in the budget process in 1986 and with Gramm-Rudman, and with the directions of the fiscal year 1986 continuing resolution, the $22 million is available to the Relocation Commission as contrasted with the $22 million from the BIA was subsequently reduced in terms of the number of houses that we were proposing to move during fiscal year 1986.

Senator MCCLURE. How could it be reduced, if you have got $22 million more than you started with?

Mr. CRAFT. I am talking about the $22 million. They are really in two kitties. One has to do with BIA, who builds 22 million dollars' worth of houses on the new lands. The other $22 million that is available, $15 million of the $22 million of the budget for the Relocation Commission is available for houses.

And that $15 million translates into 210 moves, as Senator DeConcini was talking about.

Senator MCCLURE. But you also have $22 million through BIA for the construction of houses. Just as a footnote, it doesn't have to be on the acquired lands. It can be on the reservation.

Mr. CRAFT. The Relocation Commission has money in its budget, $15 million, to build houses either on the Old Navajo or off reservation or on the new lands. But, the money that is in the pipeline to take care of the 210 families, which is roughly the same number of families served during the previous fiscal year, are devoted for families that move either on Old Navajo or off reservation.

This is the first year that the moneys would have been available for relocation to the new lands. Those new lands were not acquired until January 1986.

So, I think what Chairman Watkins is saying, is that we still anticipate that the Relocation Commission itself will be spending that $15 million for homes on Old Navajo or on off-reservation, and that will satisfy enough for 210 moves for fiscal year 1987.

Senator McClure. Then you are not talking about the $22 million made available to BIA and what it will do with respect to the relocation of people that have been identified and approved for relocation?

Mr. Craft. Mr. Chairman, we are only referring to the 210 families that were budgeted for during fiscal year 1987 in the budget that is pending before you. The request is for $22 million, $15 million of which is for housing.

Senator McClure. Then what has that got to do with sequestration of funds during 1986?

Mr. Craft. I think we misspoke in terms of——

Senator McClure. Why didn't you say that up front? It sure would have cut a lot of conversation. Just say I didn't mean it.

Excuse me. Now we understand each other. You are not talking about 1986 moneys, you are talking about 1987 moneys.

Mr. Craft. That's correct.

Mr. Watkins. That's correct.

Senator McClure. Thank you. Excuse me for the interruption.

Senator DeConcini. That's quite all right, Mr. Chairman.

Mr. Watkins. I thought I pulled myself out of the hole before this, but I didn't, I guess.

Senator McClure. You hired an attorney to talk for you and it took longer. [Laughter.]

RELOCATION SITES

Mr. Watkins. I'm surrounded by attorneys.

Senator DeConcini. Chairman Watkins or Mr. Bavasi, I don't understand, you have 210 families to move that are certified. Where are they going to be moved to?

And your answer, as I understand it was, well, the BIA is going to do a survey to determine that.

All I'm interested in is knowing where are they going to move?

First of all, how many to on the reservation, how many to off the reservation—of those 210 families?

Mr. Atkinson. The 210 families, Senator DeConcini on HPL, Hopi partitioned land.

Does that answer that?

Senator DeConcini. Not quite. You have got 210 families now that are identified, I'm told. Is that correct?

Mr. Atkinson. Yes, sir.

Senator DeConcini. They have been certified?

Mr. Atkinson. We have 1,500 families. And from that 1,500——

NUMBER OF RELOCATIONS WITH 1986 FUNDING

Senator DECONCINI. Excuse me, Mr. Atkinson, I don't want to disturb your train or comment, but you have got $22 million for 1987—I mean 1986, plus $15 million now. With this amount you intend to move 210 families.

Ms. MASSETTO. No.

Senator DECONCINI. Let's do 1987. That's where I got started, and somebody said 1986 here. 1987, your request is $22 million point 3. You are going to move 210 families that have been certified or identified. But, at least, you know who they are.

Is that right? Am I correct, so far?

Mr. BAVASI. We will have enough money to move 210 families.

Senator DECONCINI. You don't have them yet?

Mr. BAVASI. We have many more than that; 1,600 certified. As they come to the top of the list to be moved through, for whatever reasons——

Senator DECONCINI. 210 of those are going to be relocated, correct?

Mr. BAVASI. That's correct.

Senator DECONCINI. Where are they going to be relocated, do you know?

Mr. BAVASI. Not specifically. Not all 210.

Senator DECONCINI. OK. Do you know how many are going to be, of those 210, how many—assuming you get this money—will go to the old reservation, and how many are going to go off the reservation?

Mr. BAVASI. At this point in time we cannot answer that specifically, because as I said, out of the 1,600 we have priorities and we can't identify today all 210, so we can't tell you specifically where they are going. I will have to ask Mr. Tessler—Mr. Tessler told me the choice is theirs.

PRIORITIES

Senator DECONCINI. Let me ask you a question. If you have 1,600 there, how were the 210 chosen? Just the top 210?

Mr. BAVASI. We have a priority in terms of CCD. People who are currently domiciled on the land, are the top priority. As they are ready to move, we move them.

There has not been a problem the last few years.

Senator DECONCINI. I guess what bothers me, is you have 210 certified—you have got 1,600 certified—210 are going to move, and you don't know where they are moving.

Senator MCCLURE. Correct.

Senator DECONCINI. How can you possibly go forward today without a plan of where they are going to move?

Mr. ATKINSON. Senator, originally it was decided the relocatees would choose the site. We never forced a site on the relocatee, nor are we about to unless we are told directly by the Congress.

The law itself says that we will move them to a site of their choice.

Senator MCCLURE. Will the Senator yield, because I want to make sure this record is very clear, as clear as it is possible to make it.

Senator DeConcini. Yes; surely, I will yield.

CLARIFICATION OF FUNDING LEVELS

Senator McClure. You have $15 million in your own appropriation and $22 million available through the BIA, or whatever is left from that after sequestration for 1986, which is available for relocation during 1986.

You go through your list of approved, who are ready to move, and you move as many as you have money to move during 1986.

Then we looked at 1987 and the additional money which you have requested for 1987, and you estimate that that is enough to move 210 additional, but you don't know which 210 it will be, nor exactly where they will be moved.

Now, to add to that just one other thing, I understand that you now have 146 homesite leases approved or pending out of that total. Now I would hope that the amount of moneys that you have available for 1986 is going to be more than enough to move all of those which are currently approved, so there will be some that can be moved in 1986, or under 1986 moneys that have not yet been approved, and all of those for 1987 will come off a list not yet approved. They are approved for relocation, but the homesite leases have not yet been approved.

Am I correct?

Mr. Bavasi. You lost me on the last part of it.

Senator McClure. I didn't mean to lose anybody.

Mr. Bavasi. My fault.

Senator McClure. Not at all. In an effort to clarify, I hope I don't make it less clear.

You have 146 homesite leases currently approved or pending. That is out of the 1,600 families that have been—excuse me, I misstated it slightly. I appreciate the correction by staff.

TOTAL CCD'S

Some 146 off the HPL. There may be more when you look at the entire 1,600. Do we know how many more? Is it 300?

Mr. McAlister. Approximately 300.

Senator McClure. 300 more, 300 total?

Ms. Massetto. 300 total.

Senator McClure. So there are 300 pending that are already approved.

Ms. Massetto. Right.

Senator McClure. You will move as many of those as you can with the $15 million and the $22 million?

Mr. Bavasi. That's correct.

Senator McClure. Whether that is enough to move them all——

Mr. Bavasi. We will move as many of those as we possibly can from the HPL, which is the certified living on the land.

Senator McClure. Surely. Is that the 146 out of the 239?

Mr. BAVASI. Yes, sir.

Senator MCCLURE. Isn't the money available to you in 1986 enough to move all 146?

Mr. BAVASI. Yes; if they were all ready to move.

Senator MCCLURE. There is enough money. Just a question of the readiness.

Mr. BAVASI. That's correct.

Senator MCCLURE. And then the Senator has been asking the question about 1987. If all of the 146 are ready to be moved, and you have enough money to be moved, they will be moved. And then the 210 would be in addition to or beyond that number.

Am I correct?

Ms. MASSETTO. Yes.

Mr. BAVASI. Senator, I just need to point out that one of the problems that we face—because, I think as noted earlier, I think Mr. Tessler said we have moved 29 this year, 29 CCD's out of 105 domiciles in the extended families, so the person on the CCD who has a homesite lease, may not be prepared to move until their extended family can go with them.

So, it does not mean that all 146 can be moved to the top of the list and just moved off the land.

Senator MCCLURE. That's because they are not ready to move.

Mr. BAVASI. That's correct.

Senator MCCLURE. It is not because you are not ready to move them?

Mr. BAVASI. That's correct.

Senator DECONCINI. Mr. Chairman, back to the subject of mine on $22 million.

SITE SELECTION

I still don't understand, Mr. Atkinson, or whoever cares to answer this. If you have 210 that you are going to move in 1987, and you don't know where they are going to move because they have not selected a site, what plan do you have for moving them now?

Mr. ATKINSON. You are asking me?

Senator DECONCINI. Whoever.

Mr. ATKINSON. Senator, there is no need for me to repeat. We have to move them to sites of their choice, because that is in the act, and I am sure you are very familiar with it.

When they choose where they wish to be relocated, then we will move them to their spot which they want.

Senator DECONCINI. Let me give you a hypothetical. One of these 210 families there want to move over here to Black Acre, to a certain piece of land over here.

Then what do you do?

Mr. ATKINSON. We move them there.

Senator DECONCINI. You move them there?

Mr. ATKINSON. Yes.

Senator DECONCINI. If you move them there, do you already have the roads and the house and the sewer systems there for them, and the job availability and everything? Or, do you anticipate creating that as they choose, with the particular location in mind?

Mr. ATKINSON. Well, sir, if they choose a location which is isolated, and is not adjoining some community on the periphery of the reservation, why we can't ever go out and take an isolated home for one of them—maybe they have four extended families so there is five—we can't afford to put in a road to that place, a blacktop road. We can't afford to put in a sewer and water and the utilities.

Senator DECONCINI. But you move them there anyway?

Mr. ATKINSON. If that is what they desire, Senator. Some of them do desire. Some of the Navajo relocatees far prefer to live in an isolated area than to have the amenities that are given to other people.

Senator DECONCINI. The real answer to my question of where will these families move is, they will move wherever they decide to move.

Mr. ATKINSON. That's correct.

Senator DECONCINI. Is that correct?

Mr. ATKINSON. Yes, sir; there has to be a little qualification of that. They certainly can't move to the Navajo Reservation without the tribal council's permission.

Senator DECONCINI. Of the 210 families—have these 210 families been identified now?

Mr. ATKINSON. I would say that on the JUA, the former JUA and the HPL, there has been a good identification of those families,

Senator DECONCINI. The answer is yes, 210 have been identified?

DISAGREEMENT ON CENSUS FIGURES

Mr. ATKINSON. I don't agree with the 210. That wasn't an identification number.

Senator DECONCINI. That's a certification number that you are going to move in 1987.

My question is, do you know who those people are? Do you actually know who they are?

Mr. ATKINSON. I think we do pretty well.

Senator MCCLURE. Would the Senator yield?

Senator DECONCINI. Yes, sir.

Senator MCCLURE. Isn't it more correct to say that you have identified a list of 1,600, and out of that list 210 will be moved?

Mr. ATKINSON. You are right, Senator McClure.

Senator MCCLURE. So they have been identified in the sense that they are on the list.

Mr. ATKINSON. Yes, sir.

Senator MCCLURE. But they are not identified individually with respect to a precise 210?

Mr. ATKINSON. The Executive Director says that is correct. I don't agree with him.

Senator DECONCINI. You say you don't agree with him, Mr. Atkinson?

Mr. ATKINSON. No, sir; I don't fully agree at all.

You say 210 been identified? I would say 80 percent of that has been identified. And that a blank statement that we make to you that they have not been identified, would be misleading. So that we better break it down how many of those 210 we know.

FEBRUARY 15, 1986, REPORT TO CONGRESS

Ms. MASSETTO. We were obligated to submit to Congress in February a site-specific plan for people. It was not submitted.

Senator DECONCINI. I guess that is what I am getting to, Ms. Massetto.

Ms. MASSETTO. It was not submitted.

Senator DECONCINI. So you have got these 210 people that you are going to move in 1987. One Commissioner says 80 percent have been identified; the Executive Director says he is not sure; nobody knows where they are going to go except the particular Indian native America, who has been selected in the 210.

You don't have a plan that has been submitted?

Maybe you have a plan. I'm really concerned about where they are physically going to go in a period of 12 months starting in October 1987.

Mr. WATKINS. Senator DeConcini, Mr. Chairman, may I take just 2 minutes and have Mr. Tessler do a real quick, thorough explanation of how this transpired?

I think he will clear it up for you.

Mr. Tessler, will you come up here, please.

Senator MCCLURE. Come forward and speak into the microphone, please.

COMMISSION PLANNING BASE

Mr. TESSLER. The 210 families you are referring to for fiscal year 1987 are part of the 1,600 certified families. They are all identified who they are.

We will not know specifically where they wish to move next year until they come to their place in line and basically tell us. Many of them have expressed choices, they want to move on reservation, or off reservation.

The intervening factor this year is the BIA and the new lands.

But, until the survey is completed of all those persons actually living on Hopi partitioned lands as to where they wish to go, and we can mesh the BIA house builds on the new lands with our relocations to the Navajo Reservation and off the reservation, we needn't know that. We needn't be expected to.

Where things get complicated is if we are moving the actual residents from the HPL to the new lands, they have extended families who wish to go with them, or sometimes wish to go to other parts of the Navajo

Reservation, or wish to go off reservation. We might have a family composed of five nuclear families, two of whom want to go to the new lands, two on the Navajo Reservation, and perhaps one off who has a job in the reservation area.

What we try to do, and what our policy has been for the last several years, is to move the group, the extended family at the same time essentially to keep the support group together.

So, I guess what I am saying is, we know who the people are. When it is time to move them they will move with those who they wish to move with.

Senator DECONCINI. And you have locations for them to move to?

Mr. TESSLER. We have identified in the report to Congress in February, we have identified sites on the new lands, yes. We don't have names matched up with sites, and that is what will flow from the survey that the BIA is going to conduct.

Senator DECONCINI. Mr. Watkins, you say you already have that information.

Mr. ATKINSON. I say what information we have will be available to the BIA.

Senator DECONCINI. What is the BIA going to do? Are they going to come in and ask all those families?

Mr. TESSLER. Yes, sir; that is what they have proposed.

Senator DECONCINI. Is there some reason why you have not done that?

Mr. TESSLER. It was proposed in the February 15 report to Congress that we would go out and essentially ask everyone where they wanted to move and who they wished to move with.

What the BIA has added on top of that is other information dealing with needs, services, medical, schools, and a whole host of other issues that they want information about.

Senator MCCLURE. Would the Senator yield?

Senator DECONCINI. Be glad to Mr. Chairman.

BIA EFFECT ON COMMISSION PLAN

Senator MCCLURE. Mr. Tessler, would you agree with this statement: You were directed to come up with a plan, and BIA is now intervening to take over a large part of the responsibility of identification?

Mr. TESSLER. Yes.

Senator MCCLURE. So, that while we required you to come up with a plan, BIA is now performing a lot of that work, and we won't know and you won't know until BIA has completed the work, which they are now undertaking to do?

Mr. TESSLER. That is correct.

If we had started our survey as proposed in the February report to Congress, we would have been partially or more than halfway through.

Senator DECONCINI. Why haven't you done that?

Mr. TESSLER. Because the BIA asked for this survey under the memorandum of understanding.

Mr. WATKINS. We just got our new lands, Senator, in January.

RELOCATEE SURVEY

Senator DECONCINI. But you moved a number of families before you got the new land. But you never went and asked the 1,600 and identified them, or the 900 families that you moved. I just wondered why.

Is there a reason? I'm not trying to set a booby trap here. I'm just trying to find out why you don't know where these people think they want to go to if they are certified.

Mr. TESSLER. We do, to some extent.

Senator DECONCINI. You do. OK. That is news to me. You do have an idea. That is encouraging.

Out of the 1,600, you have an idea of where some of them want to go.

Mr. TESSLER. Yes, sir.

Senator DECONCINI. Which means the same thing with the 210.

Mr. TESSLER. Correct.

Senator DECONCINI. How many of that 210?

Mr. TESSLER. I can't tell you that.

Senator DECONCINI. How many of the 1,600?

Mr. TESSLER. I would have to hazard a guess that we know one-half of them that have expressed where they want to go. But, what has intervened is the availability of the new lands which has just been there since January of this year, which basically made it a whole new ballgame. Until that time, until our planning had progressed to the state it had by the end of last year, that wasn't an option.

The new lands have basically just become a full option for people as of the first of this year.

Senator DECONCINI. But you have moved a lot of families——

Mr. TESSLER. Almost 1,000. Correct.

Senator DECONCINI. Nine hundred and some before these new lands.

Mr. TESSLER. Correct.

Senator DECONCINI. Thank you, Mr. Chairman.

I hesitate to walk into one more question.

Senator MCCLURE. Go ahead, be my guest.

But, I might characterize the process a little like an inchworm, you can't move the front end until the back end catches up.

RELOCATEE DATA/DEMOGRAPHICS

Senator DECONCINI. How many of the people now awaiting relocation, are currently employed? Does anybody know that?

Mr. TESSLER. We have a survey that is several years old that has information about employment. I can't quote you that, but I can submit it for the record.

Senator DECONCINI. I would like to know what kind of jobs these people who are employed, hold, if you also have that information.

Senator MCCLURE. Do you follow that after they have left, or do you follow it only to the initial move?

Mr. TESSLER. There is a 2-year period of responsibility.

Senator MCCLURE. If you can supply that for the record, we would appreciate it.

Senator DECONCINI. That would be helpful, Mr. Chairman.

[CLERK'S NOTE.—The Commission had not provided this information as of September 2, 1986.]

IHS ROLE

Senator DECONCINI. Mr. Chairman, I understand the Indian Health Service feels that the best use of the $5 million appropriated in fiscal year 1986 for water and sanitation facilities is the development and construction of a regional water system for the new lands.

Chairman Watkins, has the Indian Health Service advised you when they will have that system in place with the water ready to flow into the relocated homes?

Mr. WATKINS. Not to my knowledge, Senator.

Does anyone want to dispute that?

Ms. MASSETTO. The IHS said it would be 18 months. But now there is a new system under consideration. It will be a windmill system.

Senator DECONCINI. Do you have any idea where this system is going to be? Is it all in the new lands—this $5 million water system, water and sanitation?

Ms. MASSETTO. Yes; it is all in the new lands.

Senator DECONCINI. All in the new lands. And you don't know now because there may be a different system, whether it is going to be 18 months or not?

Ms. MASSETTO. With the new system, no. The windmill system will expedite it by a year.

Senator DECONCINI. If they do that now. We don't know yet if they are going to do the windmill system?

Ms. MASSETTO. I hate to speak on behalf of BIA, but I think that is under consideration.

Senator DECONCINI. Mr. Chairman, I have a number of other questions. This is extremely complicated for me. I am sure it is to the Commission, as I know they are trying their best to work with this. But, I see big, gaping holes, of lack of information.

I hate to see the BIA come in, Mr. Watkins, at this late stage and start messing around in your business. But, I do see some need to know some more information before you commence to move the 1,600 families.

I wish you well.

BIA MOU

Mr. WATKINS. Senator, when we drafted and signed the memorandum of understanding in my home, the four of us were sitting there, and I said to the Assistant Secretary of Indian Affairs, Mr. Swimmer, I said, are you sure you want to do this?

He said, yes.

I said, welcome aboard, you are now the fourth Commissioner.

So, he is finding out what it is to be a Commissioner on the Navajo-Hopi Indian Relocation Commission.

Senator DeConcini. I guess it is better if I don't say anything, Mr. Chairman. Thank you, Mr. Chairman, I will submit the balance of my questions.

Senator McClure. Thank you, Senator.

I have had extensive discussions with Secretary Swimmer about this process, because I want it to work; I want the interposition of the BIA to be a constructive, helpful interposition. It can be, or it could be confusing. Just as I believe the Indian Health Service participation can be helpful, and also could be disruptive.

I think all of the parties desire that the relationships be helpful. And that is certainly true on the part of this committee. Our task is to make certain that they are helpful relationships.

I might just mention for the record, and I think I am correct, the Indian Health Service has not suggested windmills as an alternative to the system. That is a suggestion by Secretary Swimmer.

I also would anticipate that before windmills are an alternative to the system, it must be cost effective, it must be approved by the Indians affected, accepted by them, and it must also be accepted by the Indian Health Service.

I just state that for the record, because that is my expectation of how it would work, if indeed it does work. And there may be instances in which that alternative does meet those criteria.

I wouldn't want to state that we are opposed to it without knowing, but I do believe we ought to at least state on the record what our expectation is of the criteria to be applied.

I want to thank all of you for your testimony here today, and thank the staff for their participation and assistance. We will have reason, I think, to work together some more.

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DEPARTMENT OF THE INTERIOR

OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

STATEMENT OF JED D. CHRISTENSEN, DIRECTOR

ACCOMPANIED BY:

- **ROBERT E. BOLDT, DEPUTY DIRECTOR, ADMINISTRATION AND FINANCE**
- **JAMES W. WORKMAN, DEPUTY DIRECTOR, OPERATIONS AND TECHNICAL SERVICES**
- **ANTHONY L. ITTEILAG, DIRECTOR, OFFICE OF BUDGET, DEPARTMENT OF THE INTERIOR**

PREPARED STATEMENT

Senator McCLURE. Next we will hear from Jed Christensen, Director, Office of Surface Mining Reclamation and Enforcement.

Welcome to the subcommittee, Mr. Christensen. We will insert your prepared statement in the record at this point and then you can introduce your associates who accompany you today.

[The statement follows:]

STATEMENT OF JED D. CHRISTENSEN

I am pleased to appear before you to discuss the Fiscal Year 1987 budget request for the Office of Surface Mining Reclamation and Enforcement (OSMRE).

I was appointed as OSMRE's Acting Director on April 25, 1985. At that time, I was well aware of the widely publicized problems that had eroded Congressional and public confidence in our programs. I immediately established an open and purposeful approach to define goals, manage the agency's efforts to meet these goals, and frankly assess our progress in doing so. We are making progress in solving our problems, and I believe that firm direction and well formulated goals with realistic time frames for completion will enable us to continue this progress.

Our Fiscal Year 1987 budget proposal will lead to further improvement at OSMRE. Our 1987 proposal of $291.4 million is essentially identical to the level enacted by Congress last December. Despite the Department's budgetary constraints, OSMRE's budget includes an increase of 22 percent for State Regulatory Program Grants, demonstrating our commitment to State primacy. The budget also includes a major initiative to expand training opportunities for State personnel which will improve the States' abilities to carry out primacy. In addition, OSMRE is requesting additional resources to enhance assessments and collections systems to enforce the Surface Mining Control and Reclamation Act (SMCRA), and to upgrade field programs that provide technical assistance to States. These initiatives, by themselves, will not guarantee solutions to the problems faced by OSMRE. However, they demonstrate our ability to set priorities and to make the difficult choices required for effective management and implementation of our responsibilities.

The following is a brief summary of the highlights of our request.

The Regulation and Technology appropriation is proposed at $100.9 million, an increase of $15.2 million or 17.8 percent from the Fiscal Year 1987 base.

We have proposed $45.1 million for State Regulatory Program Grants, an increase of $8.1 million. State primacy is the basis for a sound regulatory effort. With this increase and the matching funds that States provide, program improvements identified through OSMRE's program evaluations and in consultation with the States will be carried out. States will also be able to implement actions required to participate in OSMRE's Nationwide Applicant Violator System in accordance with Congress' desire to improve the enforcement of SMCRA.

Regulatory Program Operations are proposed at $17.6 million, a decrease of $1.4 million from the base. The decrease reflects the completion of our direct Federal regulatory operations in Oklahoma; non-recurring costs related to our two-acre inspection and enforcement efforts in Kentucky and Virginia; and a technical correction associated with the provisions by which OSMRE carries out reclamation when performance bonds are forfeited. We are encouraged by Oklahoma's progress toward resuming full regulatory authority, and are now phasing down our operations in the State. If progress continues as anticipated, Oklahoma should fully achieve the program goals it agreed to with OSMRE, and full regulatory authority will be in place by October 1, 1986. With respect to the two-acre enforcement program, OSMRE will continue its efforts to address this problem throughout Fiscal Year 1987; however, one-time costs associated with the program's commencement allows for a savings in 1987. All other functions of this subactivity, including the critical areas of State assistance and evaluation, and OSMRE's inspection program, will be maintained at the 1986 level.

Technical Services, Training, and Research is proposed at $15.9 million, an increase of $2.75 million. The increase will be used for an ambitious and comprehensive initiative to expand training opportunities for State and Federal personnel. This increased technical assistance will complement the increased financial assistance that we have proposed for State regulatory programs. OSMRE will work with the States, industry, and environmental organizations to develop practical and relevant training that will improve regulatory program performance. OSMRE personnel will also be included in these training efforts, so that our personnel possess the knowledge required to assist the States and evaluate their performance. All other functions of this subactivity, including technical advice, research, and mine plan review, will be maintained at the 1986 level.

Assessments and Collections is proposed at $7.9 million, an increase of $0.7 million. The increase will enable us to continue our progress in implementing OSMRE's Applicant Violator System under which those with outstanding violations, unpaid civil penalties, or unpaid AML fees, can be denied new mining permits until they meet their obligations under the Act. Development of the initial Applicant Violator System has already been funded. The increase will allow us to expand the system's data base in accordance with Congressional mandates, and to meet the increased costs that will occur as States use the system on a regular basis. Implementation and enhancement of the system will enable us to take strong action against those who have already violated SMCRA, and it will deter the likelihood of future violations. We will maintain other functions in this subactivity at the 1986 level.

The General Administration request is divided between OSMRE's two appropriations. The Executive Direction subactivity in this appropriation includes a $100,000 increase for carrying out negotiated rulemaking efforts. A major facet of my commitment to a frank and open management process is the rulemaking area, which has long been controversial at OSMRE. The use of negotiated rulemaking, where appropriate, provides an opportunity for us to work with the various parties concerned with SMCRA's implementation toward a consensus that will achieve fair and effective regulation, and decrease the probability of costly and time consuming litigation.

Administrative Support is proposed at $6.3 million, an increase of $2.7 million. The increase will support efforts to develop improved management information systems. These systems affect all OSMRE activities, and are especially crucial to improve enforcement and fee collection operations. OSMRE now maintains a variety of management information systems associated with these activities. We propose to develop an integrated computer support system that will provide us and the States with a common data base for improved technical services and data sharing. The increase will support our efforts to develop an effective system for implementation over a multi-year period, and assure a purposeful, cost-efficient approach to long term systems planning.

General Services is proposed at $6.3 million, an increase of $2.2 million. We are proposing an agencywide increase of $3.0 million, of which $2.2 million is included in this appropriation, to carry out an initiative to decentralize certain program and administrative functions from Headquarters to the Field. This initiative will provide OSMRE with a management framework that enables us to do our job better. Program operations and personnel will be relocated to provide more accessible services to State programs, thus complementing our proposals for increased regulatory grant assistance and training. Overall agency management and policy development functions will remain at Headquarters. We are now assessing which functions to relocate, and the timing and needs associated with relocation so as to accomplish it with minimal disruption.

The Abandoned Mine Reclamation Fund appropriation is proposed at $190.5 million, a decrease of $15.7 million or 7.6 percent from the Fiscal Year 1987 base.

State Reclamation Program Grants are proposed at $150.6 million, a decrease of $5.6 million. These grants enable States to remedy environmental damage associated with sites abandoned prior to SMCRA. In 1986, Congress reduced the appropriation for reclamation grants, largely because the States' difficulties in obligating the amounts enacted in prior years had led to a high level of unobligated funds. OSMRE and the States have made reduction of the unobligated balances a priority, and I am pleased to report that the States have made some progress in this regard. The level of unobligated funds, however, remains very high; over $300 million in construction grant funding remains unobligated by the States. Most of this amount represents grants that will still be active in 1987, indicating that States require additional time to reduce the backlog of funding. The proposed level for 1987 is only a 3.6 percent decrease, and is in fact a slight increase from the level available after the Gramm-Rudman-Hollings reductions. The proposal still provides full administrative support for States and allows them to initiate over $100 million in new construction projects.

Fee Compliance is proposed at $3.5 million, an increase of $0.7 million. Fee compliance is the counterpart to OSMRE's enforcement efforts in the regulatory program. The ability to collect abandoned mine land reclamation fees in a timely and effective manner is essential to maintain the credibility of the enforcement effort. The increase will augment program staffing to carry out OSMRE's national audit priorities, which target areas with the highest potential for fee collection. In addition, these resources will be used to provide coordination between the fee compliance effort and enforcement activities related to the Applicant Violator System. The productivity from these enhanced operations will enable an increase in fee collections that exceeds the cost of the improvements.

Reclamation Program Operations will be maintained at the base level of $30.0 million. This subactivity includes the critical activities of assisting States to carry out reclamation programs; Federal emergency projects; projects on Tribal lands and in non-primacy States which are carried out by OSMRE; and OSMRE's reclamation research program. The maintenance of these programs will help ensure stability in these important areas.

The Rural Abandoned Mine Program (RAMP) is proposed at $0.8 million, a decrease of $8.6 million. Our budget proposal clearly indicates a willingness to commit resources to critical areas; in order to do so, we must identify lower priority areas and make the necessary choices. We believe that reliance on the States to carry out reclamation operations is appropriate. State reclamation programs are now in place and are able to carry out a wide variety of reclamation activities, including projects such as those funded under RAMP. It is only proper that RAMP-type projects should compete for funding based on State-determined priorities, and the States have adequate funds to accomplish such projects if they choose to do so.

No new budget authority is being requested for Small Operator Assistance Payments because funds available from prior years will be sufficient to support this program in 1987.

As I noted earlier, the General Administration request is divided between our two appropriations. In the AML appropriation, the Executive Direction and Administrative Support subactivities are being maintained at the 1986 level. The General Services request includes an increase of $0.8 million that represents the share of the decentralization initiative which is assigned to this appropriation.

At this time I should note that I have compared our proposal to the level enacted by Congress for Fiscal Year 1986, prior to the reductions since mandated by Gramm-Rudman-Hollings. Those reductions total $12.5 million agency wide, including $1.6 million for regulatory grants, $6.7 million for reclamation grants, and $4.2 million for OSMRE operating programs. The 1987 proposal thus represents a further increase from this level.

In summary, I am encouraged by the progress we are making to improve OSMRE's ability to carry out its mission, and I believe that the 1987 budget demonstrates our commitment to continue this progress by supporting the States, enhancing our enforcement operations, and establishing a more effective organizational framework. We are working to solve the many problems that have hampered the agency since its creation in 1977, and a sense of purpose and direction has been established which will enable us to achieve results. I want you to know that I am committed to a frank and open management process to assure continued improvement. In this regard, I appreciate your support, for I believe that through communication and hard work, we can achieve a solid record for enforcement and reclamation. I would be pleased to answer any questions at this time.

BIOGRAPHY OF JED D. CHRISTENSEN

Mr. Christensen, formerly the Department of the Interior's Assistant Deputy Director for Water and Science has been appointed as Acting Director by Secretary Hodel. Mr. Christensen has served as Staff Assistant to the Commissioner of the Bureau of Reclamation. As Staff Assistant, Mr. Christensen was responsible for conducting independent reviews and analyses of the budgetary and financial aspects of Reclamation program. He also acted as financial advisor to the Commissioner on Administration Policy for major reclamation projects.

Prior to coming to Washington, Mr. Christensen had extensive experience in city and county management. He was Director of Finance and Administrative Services, City of Provo, Utah. In that position, he coordinated a multi-faceted finance office, which included acting as the city's Treasurer. He has also held positions as Budget Officer for Clark County, Neveda; Senior Management Analyst, City Manager's Office, City of Santa Ana, California; and Program Analyst, Budget and Research Department, City of Phoenix, Arizona.

Mr. Christensen studied at the American Univeristy of Beirut, Lebanon, in 1964. He earned a bachelor's degree in Psychology from Brigham Young University, Provo, Utah. He received a master's degree in Public Administration from Arizona State University, Tempe, Arizona.

Mr. Christensen was born in Saline, Utah. He currently resides in Springfield, Virginia, with his wife, Lynda, and four children; Monique, Brett, Simone, and Adrienne.

BIOGRAPHY OF ROBERT E. BOLDT

Mr. Boldt has held the newly created position of Deputy Director for Administration and Finance since October 1985. Prior to assuming this position, he served for over three years as Associate Director for Royalty Management in the Department's Minerals Management Service.

From December 1978 to October 1981, Mr. Boldt served as Director of Field Operations for Office of Special Counsel in the Department of Energy. In this position he was responsible for managing the the audit of the 35 largest oil companies in the administration of the oil price regulations under the provisions of EPAA of 1978.

From 1974 to 1978 Mr. Boldt was the Deputy Regional Administrator for the Federal Energy Administration, San Francisco, California.

From 1960 to 1974 Mr. Boldt was with the Department of Housing and Urban Development holding positions both in Washington, DC and San Francisco.

Mr. Boldt is a native of San Francisco, California. He resides in Alexandria, Virginia.

BIOGRAPHY OF JAMES W. WORKMAN

James W. Workman is the Deputy Director for Operations and Technical Services for the Interior Department's Office of Surface Mining Reclamation and Enforcement (OSMRE). In that post, which he assumed in October 1985, Workman manages OSMRE's regulatory and technical operations and coordinates the activities of the agency's field offices and technical centers.

Before joining OSMRE, Workman spent 10 years with the U.S. Department of Energy and its predecessor, the Energy Research and Development Administration.

From 1981 to 1985, Workman was Director, Office of Fuels Programs, in the Department of Energy's Economic Regulatory Administration. In that position, he oversaw the agency's various coal conversion programs and energy trade regulatory activities, including natural gas import and export licensing, electricity import and export permitting, and oil import licensing.

From 1979 to 1981, Workman was Director of the Powerplants Conversion Division of the Economic Regulatory Administration, where he was responsible for coal conversion programs relating to electric utilities. He was also active in the development of the Office of Energy Emergencies within the Energy Department. From 1977 to 1979, he served as Deputy Director of Power Supply and Reliability in the new Department of Energy's Office of Utility Systems.

From 1975 to 1977, Workman was with the Energy Research and Development Administration (ERDA), where he managed electric power research and development programs.

Workman began his Federal career in 1961, at the Naval Ship Research and Development Center, where he served for 10 years as an operations research analyst and a senior electronics engineer.

In 1971, he joined the U.S. Department of the Interior, serving as Staff Assistant to the Assistant Secretary for Water and Power until he accepted the position with ERDA in 1975.

Workman has a Bachelor of Science degree in Electrical Engineering from Virginia Polytechnic Institute and State University, Blacksburg, Virginia, and a Master's degree in Administration from George Washington University, Washington, D.C.

INTRODUCTION OF ASSOCIATES

Mr. CHRISTENSEN. Thank you, Mr. Chairman. We appreciate being here today to discuss our 1987 budget.

On my left I have Bob Boldt, who is Deputy Director; and on my right is Jim Workman, who is my other Deputy Director for the Office of Surface Mining. They will be helping me today.

Senator MCCLURE. Thank you very much.

Mr. CHRISTENSEN. Mr. Chairman, I would like to take 2 minutes to quickly highlight some of the items in my statement.

Senator MCCLURE. If you are going to highlight it, we are going to miss some questions. I want to immediately go to the questions.

Mr. CHRISTENSEN. Let's skip that and go right to it.

STATE REGULATORY PROGRAM GRANTS

Senator MCCLURE. Thank you very much, because we have very limited time this afternoon.

In regulation and technology you have requested $100,880,000, which is an increase of $19,378,000 from the adjusted fiscal year 1986 level.

For fiscal year 1987, you are proposing an increase of over $8 million for the State regulatory program grants. Your justification indicates that this increase is justified because funding for this program has been essentially level from 1984 through 1986. This has prevented States from enhancing their programs, and they have also been saddled with increased fixed costs.

This is a rather large increase of 20 percent. Can you give me some specific examples on the problems level funding has caused, as well as some specifics on what States will do if the increase is approved?

Mr. CHRISTENSEN. Yes, Mr. Chairman.

There basically are three things that this money will be used for. One is an increase to assist the States who have been strapped due to increased costs for items such as salaries and expenses. We have been unable in some cases to give them the funds they need to run an approved regulatory program.

Second, there have been several changes in the rules and regulations which require more work on their part and on our part, and we need to be able to fund those activities.

The third area is the applicant violator system. It is going to be fairly costly to maintain and operate, and we have to have funds available for States to operate their share of that program.

Senator MCCLURE. How much of this increase will be used by the States in that applicant violator system?

Mr. CHRISTENSEN. For 1987, it is around $1 million, Senator.

Senator MCCLURE. Would you please provide for the record a State breakdown of the fiscal year 1986 regulatory grant estimates?

Mr. CHRISTENSEN. Yes.

[The information follows:]

FISCAL YEAR 1986 REGULATORY STATE PROGRAM GRANTS FINANCIAL STATEMENT

State	Allocation (estimated)	Awarded-funded (as of Apr. 24, 1986)
Alabama	$1,134,363	$1,134,363
Alaska	203,228	203,228
Arkansas	206,214	205,214
Colorado	1,048,955	[1]1,302,195
Illinois	754,598	354,598
Indiana	350,000	
Iowa	78,611	58,611
Kansas	244,421	244,421
Kentucky	6,815,825	4,814,825
Louisiana	153,798	115,348
Maryland	449,014	449,014
Michigan		
Mississippi		
Missouri	364,850	274,850
Montana	736,073	546,073
New Mexico	180,000	
North Dakota	432,531	322,531
Ohio	2,652,489	
Oklahoma	671,421	671,421
Pennsylvania	8,640,064	
Rhode Island		
Tennessee	45,000	
Texas	941,398	491,398
Utah	1,145,263	855,263
Virginia	2,732,308	2,234,557
Washington		
West Virginia	3,336,643	3,336,643
Wyoming	1,380,243	1,030,243
Crow	94,057	94,057
Hopi	146,800	146,800
Navajo	369,833	369,833
Total	35,387,000	19,276,486

[1] Colorado's letter of credit was increased an additional $253,240 over its allocation to meet a commitment to cover a shortfall in fiscal year 1985 funding.

TENNESSEE STATE PROGRAM

Senator McCLURE. There are currently 24 States that have primacy. Five additional States have been awarded program development grants to develop regulatory programs.

Are any States expected to attain primacy in fiscal year 1987?

Mr. CHRISTENSEN. None, other than those that already have primacy.

Senator McCLURE. In October 1984, Tennessee gave its Federal program back to the Federal Government. In doing so, Tennessee also gave up automatic Federal mine reclamation funding. Recently, however, there have been press reports in Tennessee alleging that OSM is unwilling to use emergency funding to clean up a few abandoned mine sites in Tennessee.

Does OSM's priority system differ from Tennessee's when Tennessee had primacy?

Mr. CHRISTENSEN. Senator, I believe there is some misunderstanding on the part of some people in Tennessee about the difference between an AML Program and emergency projects.

The Office of Surface Mining budgets funds—this year I believe it is in the amount of $15 million—for emergency projects in all coal mining States. If an emergency occurs, we go in and stabilize that emergency. And, in the instance of Tennessee, we take care of that entire project.

They do have, in Tennessee, priority 1 and 2 projects that are not emergencies, which are not being addressed at this time.

Senator McCLURE. Do I understand then, that the six sites that they have made reference to in Tennessee are on a different priority list than yours?

Mr. CHRISTENSEN. Senator, what we indicated to the people in Tennessee is they were not emergency projects. They were priority 1 and 2 type abandoned mine land projects.

Senator McCLURE. Have you had occasion to review whether or not they are emergencies, or priority 1——

Mr. CHRISTENSEN. Yes, sir; in the last month we have gone out and reviewed all six of those projects and made a determination that they are not emergencies. They are valid abandoned mine land projects. And if Tennessee had an approved program, those would certainly be funded.

Senator McCLURE. What does Tennessee need to do to regain primacy?

Mr. CHRISTENSEN. The State of Tennessee simply needs to pass in their State legislature enabling legislation which would allow them to have legislation like the Federal law, to allow them to have primacy.

Senator McCLURE. Has Tennessee expressed any desire to regain primacy?

Mr. CHRISTENSEN. Until the State legislature and the Governor wrote us about 1 month ago, I had every indication that they were going to regain primacy. However, they have determined this year that they will not take it back.

BOND FORFEITURE APPROPRIATIONS LANGUAGE

Senator McCLURE. Under regulatory program operations in the fiscal year 1986 continuing resolution, Congress established an indefinite appropriation to allow OSM to utilize up to $500,000 in forfeited performance bonds to initiate reclamation work on the same sites where the bond was forfeited.

It is my understanding, that reading between the lines, Treasury subsequently determined that Congress also enacted $500,000 of definite authority. Since Treasury has the final decision on appropriations language, OSM used the $500,000 of definite authority to offset the effects of the March 1, 1986, sequestration order.

To force OSM to apply the sequestration order evenly, the House has proposed to rescind the $500,000 of definite authority in fiscal year 1986 supplemental.

Can you explain Treasury's ruling on this appropriation?

Mr. CHRISTENSEN. Mr. Chairman, that does cause us a problem. If I could have Mr. Boldt explain that a little further.

Senator McCLURE. Please.

Mr. BOLDT. Basically, Senator, what the Treasury ruled was that in addition to the funds actually accrued to the Treasury as a result of forfeited bonds directly for the reclamation work, $500,000 of definite authority had been enacted, though it was not intended by our request.

What we did with the $500,000, was to use it for Gramm-Rudman sequestrations, to keep from having to curtail other high-priority items within that same line item. We feel that is a legitimate use of the money, because if we didn't use that $500,000, we would have had to use other moneys which would have curtailed other high-priority items.

Senator McCLURE. Since the definite appropriation of $500,000 was used to meet the sequestration order, is there room in the regulatory program operations budget to sequester the full 4.3 percent?

Mr. BOLDT. Using that $500,000, yes, sir.

Senator McCLURE. Otherwise you would pinch something else?

Mr. BOLDT. If we did not use that amount, we would have to make further cuts out of other higher priority items.

Senator McCLURE. I thought that is what sequestration meant.

Mr. BOLDT. Well, it is a question of the level of the priority, Senator.

Senator McCLURE. It is a question of whether you are going to do it program by program, or whether you are going to pick and choose. But I read Gramm-Rudman states each program project and activity.

Mr. BOLDT. Within the line item, yes, sir.

Senator McCLURE. No; not necessarily within the line item. That is not what the law says.

I'm not sure that you are meeting either the letter or the spirit of Gramm-Rudman-Hollings.

Mr. BOLDT. We feel we are, sir. The Congress did not direct us more explicitly than at the line item level.

PROPOSED FISCAL YEAR 1986 RESCISSION

Senator McCLURE. I would invite you to read it again.

In the fiscal year 1986 continuing resolution, Congress added funds for troubleshooters to be used by OSM to assist States when their program falters. In fiscal year 1986 continuing resolution, the House has proposed to rescind $210,000 intended for this purpose because OSM did not hire troubleshooters, but instead hired political appointees.

Can you explain this situation and whether the House action was justified?

Mr. CHRISTENSEN. Senator, I believe there may be some misunderstanding there.

To suggest that we hired public relations types rather than inspectors, is not the case. It is true that in a separate line item, general administration, we have hired some people, although not as many as we had anticipated hiring. However, the troubleshooters were under a different line item. We have indicated to the Congress exactly how many people of those we have hired, and why we aren't going to hire others. They seem to be satisfied with that answer.

APPLICANT VIOLATOR SYSTEM

Senator McClure. As part of the Parker-Gasch settlement, OSM is establishing what is known as the applicant violator system. Phase I of this new computer system will combine two systems that contain data elements with the purpose of matching applicants with violators.

The timetable established in the settlement requires OSM to have this phase operational by February 1, 1987.

OSM has requested an 8-month extension of this deadline to October 1, 1987. Can you explain the status of the system and the reasons behind this extension request?

Mr. Christensen. Yes, sir; we have a contractor on board who is actively developing the software now, and should complete it in several months. The same contractor is in the process of collecting data from all of the States.

Our concern is that since we were on such a tight timetable, we would be unable to adequately test the system to make sure it was going to work properly before going on line. So we have gone back to the plaintiffs and asked if we can get an extension of time to bring the system up. That doesn't mean that we won't have the system partially operational by February 1, 1987, but we want more time to adequately test it.

Senator McClure. Are you sure you will have it completely operational by October 1?

Mr. Christensen. Yes, sir; by October 1, 1987.

Senator McClure. We don't need to expect any further delays?

Mr. Christensen. No, sir; we should not.

Senator McClure. What is the future cost to complete the system, and how much has been included in the fiscal year 1987 budget to meet these costs?

Mr. Christensen. Senator, we have developed some projected costs. And, if it would please the chairman, perhaps I could just give you this information, since it might be quicker than going through the whole chart.

Senator McClure. Thank you. We will place it in the record at this point.

Mr. Christensen. Thank you.

[The information follows:]

PROJECTED AVS COSTS FISCAL YEARS 1986-92[1]

[In millions of dollars]

	1986	1987	1988	1989	1990	1991	1992
Systems development and data collection/loading	0.8	[2] 1.2	[3] 2.0		[4] 1.5		[5] 2.0
Operationand maintenance		.8	2.0	2.5	2.5	[6] 2.0	2.0
Computer usage and telecommunications equipment for States	.25	[7] .6	1.0	2.0	2.0	2.5	2.5
OSMRE direct costs (personnel, travel, et cetera associated with permit blocking actions, follow-up, et cetera)		.5	[8] .7	.7	.8	.8	.8
State direct costs (would be included in title V grant 50-50 State/Federal)		[9] .9	2.0	2.5	3.0	3.0	3.2
Total	1.05	4.0	7.7	7.7	9.8	8.3	10.5

[1] The total fiscal year 1987 AVS costs ($4 million) is included in the President's budget. The projected costs for fiscal year 1988 and subsequent years are preliminary estimates that are subject to approval by the Department and OMB during the administration's budget formulation process for each fiscal year.

[2] Phase II costs (State violation data).

[3] Phase III costs (air and water quality violation data).

[4] Design costs associated with integrating AVS into CDMIS.

[5] Systems redesign life cycle renewal.

[6] O&M costs would drop due to efficiencies gained from systems integration.

[7] Assumed Geonet and computer costs charged back from USGS or other DOI source.

[8] Also includes oversight costs associated with assessment of State participation in AVS, including quality of State data.

[9] State costs would include data entry, data validation, and data verification associated with specific permit blocking actions.

COST OF APPLICANT VIOLATOR SYSTEM OPERATIONS

Senator McClure. After the system is operating, who will pay the costs? OSM or the States?

Mr. Christensen. Once the system is operating, State costs will be funded on a 50-50 basis through the regulatory grant program. The system's central operations will be supported in our budget.

Senator McClure. What benefits will the States receive from the system?

Mr. Christensen. This will be the first time the States will be able to implement the act's requirement that an application from an operator must be checked to make sure there is no outstanding violations nationwide. This will be one of the main benefits they will achieve from that.

STATE RECLAMATION PROGRAM GRANTS

Senator McClure. In fiscal year 1986, Congress reduced OSM's request for State Reclamation Program grants by $51 million. This reduction was justified because of States' low obligation rates.

As of December 31, 1985, of the $650 million available for obligation to States for construction grants, $345 million, or 53 percent, was unobligated.

By comparison, on March 31, 1985, of the $550 million available for obligation for construction grants, only $372 million, or 67 percent, was unobligated.

Because of this continued low obligation rate, you have requested essentially level funding in fiscal year 1987 of $150,600,000 for State reclamation program grants. How many priority 1 and 2 reclamation projects does this funding level allow for in fiscal year 1987?

Mr. CHRISTENSEN. It is estimated, Senator, it will be anywhere from 200 to 220.

Senator MCCLURE. How does this number compare with the fiscal year 1986 number?

Mr. CHRISTENSEN. It is approximately the same, sir.

Senator MCCLURE. Is there any particular reason the States are not obligating these funds?

Mr. CHRISTENSEN. I believe that when we look at the history of the program, we find that it took several years for the States to get their administrative houses in order.

Then they spent their initial money on project design and are now in the construction process.

It is my belief that in 1986 and 1987, they will have their systems up to a point where they are obligating those funds quickly, so that by 1988 we may be able to come in with a higher request.

Senator MCCLURE. Do you anticipate that they will actually increase the obligation rates during 1987?

Mr. CHRISTENSEN. Yes, sir; they are already doing so.

Senator MCCLURE. One of the provisions of SMCRA requires States to obligate AML funds within 3 years.

How do States get around this requirement?

Mr. CHRISTENSEN. What the States are doing is spending their oldest money first. Funds that they have left over from, say, 1984, are being obligated right now.

There have been some instances where States have told us that within the next several months they are going to have certain moneys obligated, and asked if we could give them an extension of time, which we have done.

Senator MCCLURE. You have given extensions?

Mr. CHRISTENSEN. Several times, yes, sir.

Senator MCCLURE. I'm a little concerned at the policy question. I'm also a little concerned about the legal authority for extensions.

I'm not certain that the statute provides for extensions.

Do I understand that you may have been shifting money between projects to accommodate that?

Mr. CHRISTENSEN. No, sir. I believe it is discretionary. The law doesn't say that we shall remove the money from the State, although it allows us to do it. Generally we like to work with the States to get that money obligated.

Senator MCCLURE. I may follow up with a question on that point.

How much of the $300 million balance falls into this category?

Mr. CHRISTENSEN. I'm not sure, sir, but if I can provide that for the record.

Senator McClure. If you would, please.

[The information follows:]

EXTENSIONS TO AML CONSTRUCTION GRANTS

State/grant number	Year	Extensions given	Length of extension	Amount involved
			(Months)	
Pennsylvania—(27422)	1982	1	21	([1])
Missouri—(37292)	1983	1	16	([2])
Iowa—(37193)	1983	1	12	[3] $680,000

[1] Delay in the completion of carbonate phase I and Plymouth west subsidence central projects were caused by the need to conduct extensive exploratory drilling prior to project design.

[2] This grant was extended because of Missouri's policy of having the vegetation take before making final payment and having the flexibility to do additional maintenance work if it doesn't.

[3] Time and monetary increase needed because the scope of the projects changed (the number of acres to be reclaimed increased). The funds provided were within Iowa's allocation.

RURAL ABANDONED MINE PROGRAM

Senator McClure. Senator Bumpers?

Senator Bumpers. Thank you, Mr. Chairman.

Mr. Christensen, my questions are based as much to refresh my recollection of this whole thing, as it is to get information.

My primary concern with the office is the RAMP Program. I have a parochial interest in that because my home county is loaded with abandoned mines. When we first passed the Reclamation Act and set up this RAMP Program, a lot of areas within 5 miles of my home were reclaimed.

I'm going to come back in just a moment to the cost of that. It seems to be staggering.

I just want to ask you a couple of basic questions. Let me first of all ask how much money are we collecting a year from the fees that we levy on coal mining?

Mr. Christensen. Between $210 and $230 million.

Senator Bumpers. How much is in the fund now?

Mr. Christensen. I believe that the fund's unappropriated balance will be about $400 million by the end of the fiscal year.

Senator Bumpers. Unobligated?

Mr. Christensen. Unappropriated, sir.

Senator Bumpers. All right. Now does the law set up any allocation of those funds for the RAMP Program specifically?

Mr. Christensen. The law allows up to a certain percent of those funds——

Senator Bumpers. Twenty percent?

Mr. Christensen. Yes, sir; up to 20 percent to be used for RAMP.

Senator Bumpers. Is that correct?

Mr. Christensen. Yes, sir.

Senator Bumpers. I want to be sure the record is clear. It allows you to spend up to 20 percent for the RAMP Program. Is that correct?

Mr. Christensen. Yes, sir.

Senator BUMPERS. Now, these State Reclamation Program grants are the ones from which you say the States are not obligating the funds that are available to them, is that correct?

Mr. CHRISTENSEN. Until recently the States have had a hard time obligating the funds. However, in 1986 and 1987 they will get those rates of obligation up.

Senator BUMPERS. What are most of those funds being used for by the States?

Mr. CHRISTENSEN. They are used for priority 1 and 2 type projects, which are your imminent harm, public hazard type projects.

Senator BUMPERS. What is a public hazard?

Mr. CHRISTENSEN. A case where there is an immediate concern for life and welfare and safety of people in the immediate area.

Senator BUMPERS. Give me an illustration of what that would be.

Mr. CHRISTENSEN. We have just had an instance in Pittsburgh, in the city itself, where a severe subsidence problem caused people to be evacuated, and homes had to be razed.

What we did was go in, determine the cause of that, determined that subsidence was the cause, and very quickly put a contract out to a contractor to stabilize the situation.

STATE RECLAMATION PROGRAM GRANTS

Senator BUMPERS. OK. And how much money did you spend in 1985 on that program? How much did the States request that you granted?

Mr. CHRISTENSEN. As far as the——

Senator BUMPERS. The State Reclamation Program grants. How many grants did you give in 1985?

Mr. CHRISTENSEN. I believe the figure was around $200 million.

Senator BUMPERS. $200 million?

Mr. CHRISTENSEN. Excuse me, it was about $250 million.

Senator BUMPERS. And in the same year, 1985, how much money was given to the RAMP Program?

Mr. CHRISTENSEN. $10 million.

Senator BUMPERS. $10 million nationwide?

Mr. CHRISTENSEN. Yes, sir.

Senator BUMPERS. Do you know how many acres of abandoned mines we have in the country?

Mr. CHRISTENSEN. We could dig it up. It would take a few minutes.

Senator BUMPERS. Would it run into the hundreds of thousands? Does anybody have a ballpark figure?

Mr. CHRISTENSEN. Yes, sir.

Senator BUMPERS. Now, in Arkansas, apparently it is costing us about $10,000 per acre to reclaim these mines, and most of those mines when they were originally mined in the late 1920's and early 1930's, went no deeper than 30 feet. In the same Arkansas county it was customary to strip mine 80 feet deep for a 14-inch vein of coal.

You can see that 100 acres will cost $1 million at that rate. And $10 million would do 1,000 acres, and we have hundreds of thousands of acres of land to be reclaimed.

That doesn't sound like a very strong commitment to the RAMP Program, and I know the administration has been trying to get rid of it.

Let me ask you this. Why is there this seemingly inordinate obsession to abandon the Rural Abandoned Mine Program?

Mr. CHRISTENSEN. Senator, I believe it is a matter of how the money is best utilized. Because of the limited funds available, we believe that the best way to use the funds is through the States. We believe the States should use the money as they see fit, consistent with SMCRA. If they desire to contract with the SCS for a RAMP type project, that is entirely up to them and they have that ability to do so.

Senator BUMPERS. It seems to me that that is kind of a copout, and it really is a violation of what we intended. The reason we put the RAMP Program in the act to begin with was because we felt it was in our national interest to reclaim these rural abandoned mines. Now OSM comes along and says we would like to terminate that contract, and Congress is saying we don't want to do it. For 5 years we have resisted the administration's efforts to terminate the RAMP Program.

So I don't understand why we don't get with the program and get on with it, because some of us feel that the RAMP Program is extremely important.

Mr. CHRISTENSEN. Senator, I might just respond that the money that is appropriated for abandoned mine land work is being spent on abandoned mine land work. It is a matter of who spends it. In this instance, the States are spending it for the top priority projects. The money is not being given to the SCS to do other kinds of projects.

USE OF RAMP FUNDING

Senator BUMPERS. I thought this money went directly from OSM to Soil Conservation Service in the respective States for this specific purpose, is that not correct?

Mr. CHRISTENSEN. That's true. RAMP money is a direct passthrough from us to the Department of Agriculture.

Senator BUMPERS. Well, does the Department of Agriculture administer this fund based on Soil Conservation Service applications for it?

Mr. CHRISTENSEN. Yes, sir.

Senator BUMPERS. So, if there is a 10-acre project and they want to clean up 10 acres of abandoned mines, does the Soil Conservation Service submit an application?

Mr. CHRISTENSEN. No, sir; they have complete control over that funding. They do what we would consider priority 3 type work, sedimentation control, soil erosion, that kind of project, which is not as high a priority as other work that is eligible for funding.

Senator BUMPERS. How much did you say you put into the RAMP Progarm in 1985? $10 million?

Mr. CHRISTENSEN. $10 million, yes, sir.

Senator BUMPERS. I want to make clear in my own mind who is administering this RAMP Program.

You say you give the money to the Department of Agriculture?

Mr. CHRISTENSEN. That's right. And they control it. They determine the projects that are going to be done with that money. We have no control over that whatsoever.

Senator BUMPERS. It cannot be used by them for any other purpose than to reclaim rural abandoned mines?

Mr. CHRISTENSEN. That's right.

Senator BUMPERS. And the Soil Conservation Service of the respective States make claims on that for specific projects?

Mr. CHRISTENSEN. Yes, sir, through the SCS.

Senator BUMPERS. How many acres have we reclaimed of abandoned mines since this program started?

Mr. CHRISTENSEN. I don't have that exact figure. I can certainly provide it.

FUNDING LEVEL FOR RAMP

Senator MCCLURE. Senator Bumpers, if you would yield for just a moment, I have another meeting over on the House side at 4 o'clock. I wonder if you could——

Senator BUMPERS. I'm about finished, Mr. Chairman.

I just wanted to get this RAMP thing clear in my own mind.

Senator MCCLURE. Sure. If I could just announce in advance that there will be questions for submittal to you for response in writing. All members of the subcommittee may have until close of business tomorrow to submit such questions.

And upon recess of the meeting today, the subcommittee will stand in recess until 2 p.m. on Thursday, April 24, when we will hear from the Energy Information Administration of the Economic Regulatory Administration.

With that, Senator Bumpers, I will pass the gavel to you.

Senator BUMPERS [presiding]. Thank you.

Mr. Christensen, how much money are you putting into the RAMP Program, or giving to the Department of Agriculture for this program this year, 1986?

Mr. CHRISTENSEN. In 1986 it is $9.4 million.

Senator BUMPERS. About the same as last year?

Mr. CHRISTENSEN. Yes.

Senator BUMPERS. What are you proposing for 1987?

Mr. CHRISTENSEN. $800,000.

Senator BUMPERS. Why do you even go through the procedure?

Mr. CHRISTENSEN. The purpose of that $800,000 is to finish existing RAMP projects. They estimate the cost of these projects, but there are add-ons, and SCS needs that extra money to finish them.

Senator BUMPERS. You are not proposing to put any new money into it?

Mr. CHRISTENSEN. That's correct, sir.

Senator BUMPERS. So what happens to the abandoned mines of this country?

Mr. CHRISTENSEN. The abandoned mines will continue to be reclaimed under the regular Abandoned Mine Land Grant Program, through the States.

Senator BUMPERS. If the States have the money to do it.

Mr. CHRISTENSEN. Well, they will, sir.

Senator BUMPERS. You are not proposing to put any money into it, are you?

Mr. CHRISTENSEN. Yes; we are putting in $150 million this year and next.

Senator BUMPERS. Mr. Christensen, let me ask you this. If you abandon RAMP specifically and you continue to give money back to the States for whatever—let's say 70 percent of the money continues to go back to the States, 50 percent of what they paid in, plus—what are you giving, 20 percent back?

Mr. CHRISTENSEN. Approximately that. The Secretary's share portions.

Senator BUMPERS. My concern is this. You have got a host of programs under which mine reclamation can occur, and there are no other kinds of strip mined abandoned mines that I know of except in rural areas.

So, in the future, if we permitted you to abandon the RAMP Program, you are saying it would just be up to the States in the future to consider whether or not rural abandoned mines are a priority item.

Mr. CHRISTENSEN. What the States have done, Senator, is to prioritize the types of projects they want to do. Projects do not have to be in an urban area, and usually are not. They can be anywhere based on the State's priorities. They submit a list of projects in their request to us each year. We approve those projects if we determine they are actually priority 1 or priority 2 type projects under the act.

So the work of reclaiming abandoned mine lands will continue. It is just a matter of who the agency is that administers the construction.

Senator BUMPERS. When you say priorities 1, 2, and 3, is 3 low man on the totem pole?

Mr. CHRISTENSEN. The law actually allows for six priorities. What the Congress has suggested to us through appropriation language, is we concentrate on priority 1 and 2 projects.

Senator BUMPERS. OK. This has been helpful to me.

Mr. CHRISTENSEN. Senator, if I might just give one other figure you asked, on how many acres have been reclaimed through the RAMP Program since the inception of the program. The figure is approximately 9,000.

Senator BUMPERS. Can you tell me what the cost of that 9,000 acres has been, total?

Mr. CHRISTENSEN. $50 million.

Senator BUMPERS. $50 million to reclaim 9,000. What does that come out to?

Mr. CHRISTENSEN. A little over $5,000 an acre.

Senator BUMPERS. Right.

I tell you, one of the things I am upset about is the $10,000 cost in my State. That just sounds outrageous to me. And I recognize those are 50-year old dumps. Of course, they have to seed them and follow through to make sure it gets vegetation cover and so on; 9,000 acres isn't very much in the scheme of things; $50 million is still an awful lot of money just to reclaim 9,000 acres.

Well, it is a program that I think is important, because I have seen some land that used to be just old dumps that are now used for grazing cattle.

I think in the long run it is worth whatever we have to spend on it to get it done.

I thank you very much.

ADDITIONAL COMMITTEE QUESTIONS

There will be questions for submittal to you for response in writing. All members of the subcommittee may have until close of business tomorrow to submit such questions.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Oklahoma Regulatory Program

1. Question: On January 1, 1986, OSM returned the authority to conduct inspections for inactive mine sites to the State of Oklahoma. OSM retained authority for the inspection of active sites as well as follow-up inspections. Your justification indicates that you will be gradually phasing out its regulatory operations in Fiscal Year 1986 which would result in a reduction of $500,000 in Fiscal Year 1987. What is the timetable associated with this phasedown?

Answer: Upgrading active mining permits is the essential element needed for Oklahoma to regain full regulatory authority. OSMRE and Oklahoma have agreed to a schedule for Oklahoma to accomplish this by September 30, 1986. In addition to a resolution of permitting issues, other items in the schedule include Oklahoma's submittal of: proposed policy statements, guidelines and forms that relate to the Permitting and Inspection and Enforcement Plans; lists identifying backlog and resolution of bond forfeiture issues; and quarterly progress reports related to permitting, bond release and lands unsuitable petitions.

2. Question: What assurances does OSM have from Oklahoma that they can assume full responsibility at the end of Fiscal Year 1986?

Answer: Oklahoma has markedly improved its ability to review permits. OSMRE will continue to provide technical assistance to augment the State's capabilities to complete the required permit reviews on schedule.

Federal Inspections

3. Question: When oversight inspections or citizen complaint inspections reveal possible violations that do not pose imminent environmental or public danger, OSM's standard procedure is to issue a ten-day notice to the State. If the violation continues to exist and the State has failed to take appropriate action or to explain its failure to act, a Federal Notice of Violation (NOV) is automatically issued. After the Federal Notice of Violation is issued, what follow-up steps does OSM take?

Answer: OSMRE Field Offices use tracking systems to monitor the date that abatement of each violation is due. Within three days after this date expires, inspectors conduct follow-up inspections to determine if abatement has occurred. If the violation is not abated, a failure to abate cessation order (FTACO) is issued.

4. Question: Can a State request a review of an OSM inspector's action in these cases?

Answer: OSMRE currently has no procedure established where the State may request a review of OSMRE's issuance of a Notice of Violation. However, after the issuance of a ten day notice, the State may, on its own initiative, supply any additional information to support a contention that a violation does not exist.

5. Question: What is OSM's procedure in cases where there is imminent danger of environmental or public harm?

Answer: Whenever an OSMRE inspector observes a violation posing imminent environmental or public harm, a Federal cessation order must be issued immediately.

6. Question: How does OSM determine whether there is imminent danger of environmental or public harm?

Answer: OSMRE determines that imminent danger of environmental or public harm exists based upon the inspector's judgment that a condition, practice, or violation is reasonably expected to cause substantial physical harm to persons outside the permit area before such condition, practice or violation can be abated, in accordance with section 521 of the Act and the provisions of 30 CFR 843.11. In cases where imminent danger of environmental harm is suspected and time allows, OSMRE technical staff may be requested to assist in the determination.

Two Acre Inspection and Enforcement

7. Question: To aid OSM in complying with a court settlement, Congress made $546,000 available in Fiscal Year 1985 Supplemental Appropriations bill. These funds were to be used to inventory the number of two-acre sites in Virginia and Kentucky and see if the two-acre exemptions are valid. $1.3 million was also added in the Fiscal Year 1986 C.R. to continue with work. Your justification for Fiscal Year 1987 indicates that a reduction of $393,000 is being proposed because of "non-recurring costs" related to this inventory. Can you explain this reduction and give me an update on this inventory process for each State?

Answer: The reduction is proposed to reflect the nonrecurring costs for items and services which were part of the two acre task force startup operations in Virginia and Kentucky. This included helicopter inspections and photography, computer equipment and software, surveying services, temporary typing assistance, vehicles and other supplies and equipment.

Pursuant to the terms of the June 5, 1985, settlement agreement, OSMRE completed its survey and developed inventories of mine operators claiming the two acre exemption in Virginia and Kentucky, and reported its findings to the court on October 6, 1985. Since then, OSMRE has filed two quarterly reports with the court which detail the number of inspections made, the number of violations issued, court referrals, and Abandoned Mine Land fees owed. OSMRE will complete these efforts in advance of the court ordered timeframe.

The two acre task force in Kentucky is now fully staffed. Virginia has one vacancy remaining to be filled. Inspections and issuance of violations are being carried out daily. In Virginia the inventory now stands at 1,439 sites, all of which are interim program sites. OSMRE has conducted inspections on 116 of these sites and issued 142 Notices of Violation. In Kentucky, the inventory is comprised of 2,055 permanent program sites. The State has inspected all of these sites and OSMRE, in an intensive oversight mode, has conducted inspections on 183 of the sites. The State has issued 698 notices of non-compliance and OSMRE has issued 17 Federal Notices of Violation.

In addition, OSMRE has compiled a list of 112 two acre sites in Tennessee and completed inspections on all of them, issuing four Notices of Violation.

A total of 834 AML fee collection actions related to two-acre activities are currently in process for the three States.

8. Question: If OSM is not seeking to abolish the two-acre exemption, what action are you proposing to control the impact of two-acre abusers.

Answer: OSMRE has been conducting extensive oversight activities in Kentucky to ensure that regulatory compliance and enforcement action is initiated when violations of the regulatory requirements are identified. In Virginia, OSMRE is directly undertaking inspection and enforcement activities since the sites involved date back to the interim period. OSMRE will revise the definition for "affected area" to eliminate confusion as to the area to be considered when determining whether an operation qualifies for the exemption. In addition, OSMRE has asked State Governors to review their two-acre regulatory programs and revise these programs where necessary to ensure that abuse of the exemption does not reoccur.

9. Question: Have you requested any funds in the Fiscal Year 1987 budget to complete this inventory or are carryover balances adequate?

Answer: In Fiscal Year 1986, $1.3 million was appropriated for two-acre work. In Fiscal Year 1987, due to non-recurring costs, a reduction of $393,000 is proposed, leaving a total of $907,000. These funds are sufficient to maintain our current staff. The inventory is already completed and the existing work involves inspection of sites and oversight of the States' continuing work. No carryover funds are involved.

Training Initiative

10. Question: You are proposing a major initiative to improve the capabilities of State and Federal personnel that implement SMCRA. As a result of this initiative, you have requested an increase of $2,750,000 in Federal Regulatory Programs to develop a training curricula to meet the needs of personnel. How will this training program differ from the current OSM training program?

Answer: OSMRE's technical training program presently consists of five existing courses and seven courses under development and scheduled to begin during Fiscal Year 1986. The courses are oriented primarily to entry and intermediate-level inspectors. OSMRE proposes to increase the number and scope of these courses to assure that the multiple disciplines required under the Act are covered and to add courses, seminars, workshops and applied field exercises focused on specialized subject matter and oriented to more advanced staff, as well as a curriculum for Federal and State regulatory program managers.

11. Question: How will the new curricula be developed?

Answer: OSMRE is holding a series of management seminars this summer for Federal and State supervisors and managers. The central theme in the seminar sessions will be the development of a comprehensive technical training program. The four-day agenda for the sessions will include topics ranging from communications and conflict management to regulatory and program evaluation. The information and ideas obtained through the seminars will be used by a joint OSMRE-State team which will develop a training plan to guide all technical and program training over the next five years.

12. Question: When will the curricula be fully developed and when will training of personnel begin?

Answer: OSMRE expects the training plan to be ready by early calendar year 1987; course development will begin at that time. New training activities should be available by the spring of 1987 in accordance with the priorities to be set in the plan.

13. Question: Can you break down the requested increase for Fiscal Year 1987?

Answer: The requested funds will be used in four primary ways. First, funds will be used to expand the basic inspection course by enhancing the instructional materials for the senior level inspector. Sophisticated workbook material and audio-visual techniques will be used for this purpose. Second, new course workshops, field exercises and seminars will be developed and presented for program training. The exact training media will be developed through what we are calling the "modes seminars". Third, additional management training will be provided through Modes II — an additional seminar for managers and supervisors. The theme of Modes II is tentatively set as information management. Finally, funds will be used to pay the travel expenses of State and Tribal participants in the program.

Decentralization

14. Question: OSM is decentralizing certain program and administrative functions from Headquarters to Field Offices and Technical Center locations. To implement this effort, OSM has requested an additional 3.0 million dollars in General Services. Has a specific plan been developed for this decentralization effort?

Answer: Detailed plans for the decentralization of some OSMRE functions have been developed by two task forces: one dealing with administrative functions and one dealing with program functions. Both of these groups recently presented their recommendations to the Director. A report covering the planned decentralization actions is presently being prepared. OSMRE has recently briefed the Committee's staff on decentralization and will make this report available to the Subcommittee within a month.

15. Question: How many families will be relocated because of this effort?

Answer: OSMRE plans to implement decentralization on a phased basis during Fiscal Year 1987. We plan to give affected employees at least several months' notice of planned transfers, and to honor employees' geographic preferences to the maximum possible extent. The maximum number of Headquarters positions which will be affected is approximately 80; a few additional moves from one field location to another also may occur. Some transferred positions are expected to be vacancies as a result of employees transferring to other positions not impacted by decentralization or transferring to other agencies. For these reasons, it is difficult to predict in advance the number of employees and families involved.

16. Question: What is the cost just to relocate these families?

Answer: The costs for employee and family relocation associated with this decentralization are currently estimated at $1.8 million. The total request of $3 million also includes $0.6 million to initiate consolidation of OSMRE's three Washington, D.C. office locations into one location and $0.6 million for utility work, space modifications, etc. at field locations.

17. Question: Will this $3.0 million dollar increase be all that is necessary?

Answer: No additional requirements to finance the planned decentralization are anticipated.

Settlement of Assessment Cases

18. Question: As part of this effort, OSM is decentralizing the assessment system by moving functions to Field Offices and allowing inspectors to negotiate a settlement of a violation. In the past, OSM would only discuss the factual basis for the cited violation and not negotiate a settlement. I can understand the theory behind decentralizing the assessment system, but in doing so aren't you making it easy for an operator in two different States to get two different assessments for the same violation?

Answer: No, OSMRE's proposed plans for a decentralized assessments program will not create a gap through which duplicative assessments could be made. OSMRE is exploring the possibility of performing the assessments at the Field Office location near the mine site. Each Field Office will assess violations for its specific geographic area. Each violation assessed will be site specific in nature, connected to the permit issued for the site - not the operator.

In addition, OSMRE has established a conference officer program which is separate and distinct from the assessment process for the negotiation and settlement of violations. The conference officer program provides a further set of checks and balances to ensure consistency, and avoid erroneous duplication in the overall assessment process.

19. Question: How will you encourage States with primacy to utilize this system?

Answer: As a result of the successful pilot effort in Tennessee and Oklahoma, OSMRE expanded the conference officer program to all States as of January 6, 1986. The successful precedent set by the pilot program is likely to be followed by other States. The State of Pennsylvania already has a similar system in effect for conferencing assessments.

20. Question: If the programs in Tennessee and Oklahoma were faltering anyway, how accurate was the pilot program? Weren't operators more anxious to settle with OSM than with States?

Answer: In most cases, the process of settling Notices of Violations with the mining community has established a basis of understanding for reaching mutual agreement to achieve abatement of the violation. We did not find evidence to indicate that operators would have a different experience in dealing with the States under a similar type program.

Applicant Violator System

21. Question: Phase II and III of the AVS System were added by Congress in the Fiscal Year 1986 C.R. and are outside the scope of the original court order. These phases will load data concerning State issued violations and penalties (Phase II) and air and water quality violations associated with coal mining operations (Phase III). Including funding proposals, can you describe OSM's plans concerning Phases II and III?

Answer: Funds for Phase II ($1.2 million) are included in our Fiscal Year 1987 budget request. We estimate funding for Phase III to be approximately $2 million.

22. Question: Do these Phases provide you with an unnecessary burden that is inconsistent with the original intent of the court order?

Answer: We do not believe that the inclusion of Phase II and III will be unusually burdensome, although it will create a very large data base of information to be maintained. The addition of Phases II and III will make the AVS fully compatible with the provisions of Section 510(c) for permit blocking purposes.

23. Question: If inconsistent, why have you requested the same bill language in Fiscal Year 1987 that Congress added in Fiscal Year 1986?

Answer: We do not consider the requirement inconsistent with the intent of the court order.

24. Question: How will the eight month delay of Phase I affect Phase II and III?

Answer: The original dates for completion of Phases II and III were February 1, 1987 and February 1, 1988, respectively. Assuming our request for an extension of time to implement the AVS is granted, Phase II would become operational on October 1, 1988, and Phase III on October 1, 1989.

Negotiated Rulemaking

25. Question: You have requested an additional $100,000 to support negotiated rulemaking efforts to be carried out in Fiscal Year 1987. Do you have any idea what rules will be developed through this effort?

Answer: During OSMRE's last outreach meeting on April 1, 1986, approaches to conducting negotiated rulemaking and the early identification of specific rules to be developed using this method were topics of discussion between OSMRE personnel and the industry, regulatory authority, and environmental group spokespersons. The regulatory development schedule to be completed in May will set the Agency's rulemaking activities for the next two years. Following the publication of the schedule, OSMRE will develop specific plans for outreach, including negotiated rulemaking, by September 1, 1986. By October 1, 1986, OSMRE will complete all of the preliminary steps that lead to successful negotiated rulemaking, including the development of an outreach program, a regulatory development schedule, and an established process to use the method.

26. Question: If other regulatory agencies have found this to be an effective way to complement the existing rulemaking process, why hasn't OSM made this proposal before Fiscal Year 1987?

Answer: Negotiated rulemaking was developed in the early 1980's under the direction of the Administrative Conference of the United States, and was first successfully used by the Federal Aviation Administration in 1983. In 1984, OSHA and EPA began testing its effectiveness in their rulemaking process, and the Secretary of the Interior determined that the method should be considered by Interior agencies.

State Reclamation Program Grants

27. Question: If the obligation rate continues to be so low, couldn't the program function at a funding level of $100 million?

Answer: We believe a $100 million grant level would have several adverse effects on State reclamation programs. States have developed staff levels geared for higher funding levels in order to carry out projects and reduce the backlog of funding. Now that they are completing projects initiatied in Fiscal Years 1984 and 1985, a $100 million funding level would reduce the number of new projects that could be initiated, ultimately forcing States to reduce costs and to lay off trained, experienced staff. Then, if higher funding levels were provided in future years, the States would again have to hire and train new employees. Delays in planning and construction would occur until the new staff acquired needed experience. OSMRE is also concerned about construction activities in small program States who may have little or no funds available for project starts. It is conceivable that a severe reduction in Title IV assistance could result in some States reevaluating their commitment to regulatory primacy.

28. Question: Because of the low obligation rate in State Reclamation Program Grants, Congress discussed various alternatives. One alternative that was not adopted stipulated that no State would receive a reclamation grant if its prior year unobligated balances of the amount granted was not less than the amount of the grant obligated in the immediately preceding year. Is language like this a better incentive for States to reduce the low obligation rates?

Answer: We understand that the intent of this language is to encourage States to improve obligation rates; however, because reclamation grants are made throughout the fiscal year, we believe that the proposed alternative language could create difficulties. For example, a prior-year grant could be in effect for only three or four months, having most of the money unobligated. Consequently, many States would not be eligible to receive new construction funds. This situation could create a significant fluctuation in the State's Abandoned Mine Land (AML) workloads, thus impeding future program planning.

Also, a State may not receive an equivalent amount of money every year. This could create a problem in comparing and evaluating results of States' spending efforts.

Finally, we believe that the Fiscal Year 1986 reduction in State AML grants enacted by Congress clearly indicates that improvement in State obligation rates is a major priority. The States have since shown improvement in their obligation rates, making the adoption of the proposed restrictive language unnecessary.

Apportionment Formula for Reclamation Grants

29. Question: In the Fiscal Year 1986 Continuing Resolution, Congress discussed, but did not adopt, bill language that would have required the Secretary's discretionary fund to be apportioned based on the Abandoned Mine Lands Inventory. The managers did agree on report language directing OSM to submit an analysis of the merits of all allocation formulas which have been generally discussed to date. Can you give me an update on the various proposals and where OSM stands on a recommendation?

Answer: An analysis of various apportionment proposals has been provided to the Congress. OSMRE has proposed that the apportionment be carried out on a 50-50 basis, using historic coal production and AML inventory data.

30. Question: What formula is OSM currently using?

Answer: In 1986, we are using an apportionment process based on 50 percent historic coal production and 50 percent AML inventory.

Fee Compliance

31. Question: You have requested an increase of $702,000 or 23 percent, to augment the AML fee compliance program. This relatively large increase is primarily for additional staff in this program because of the level staffing over the past few years. With this additional staff, what activities will be undertaken that were not in Fiscal Year 1986?

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Answer: The increase in Fiscal Year 1987 for fee compliance activities will enable OSMRE to carry out audit program priorities established and implemented in Fiscal Year 1986. These priorities include:

- o Intensified audit activity in those counties identified as having large discrepancies between tonnages of coal production reported to OSMRE and available EIA data.
- o Intensified audit activity of third party operations (i.e., preparation plants, support facilities, loading facilities, coal brokers and transport facilities).
- o Intensified audit activity of those companies where the time limitation for record retention will run out.
- o The Reclamation Fee Management Division's two-acre task force will be expanded allowing for increased investigations resulting in the determination and collection of reclamation fee liability of non-exempt two-acre operations referred from the States of Kentucky, Tennessee and Virginia and for appropriate OSMRE two-acre inspection task forces.

32. Question: Will additional revenues be associated with this increase or will it only be utilized to categorize the existing debt?

Answer: OSMRE monitors the number of audits conducted, time devoted to audits, and dollars identified either as additional fees due or excess fees to be refunded. Figures available for a 12 month period ending December 31, 1985, indicate that the current audit staff returns to the fund approximately $9.00 for every dollar OSMRE spends on it. Given the fact that OSMRE plans on increasing current audit activity (with the additional positions) the assumption is that revenues will substantially increase.

33. Question: Will this only deal with the AML debt or will it also be used for unpaid fines?

Answer: The additional funding will only deal with the AML debt and audit activities.

Civil Penalty Collections

34. Question: If not, what are you proposing to do about the unpaid fines which total upwards of $150 million?

Answer: The unpaid fines referred to are civil penalty debts. The Division of Assessments and Collections will continue to reduce the backlog using the following procedures:

- pursue collection of the debt which may involve a referral to a private collection contractor; referral to the Office of the Solicitor for legal action; and/or referral to the Applicant Violator System.

- determine that the case is uncollectible, close the case or make a referral to the Applicant Violator System.

Rural Abandoned Mine Program

35. Question: You are proposing to phase down and terminate the Rural Abandoned Mine Program in Fiscal Year 1987 and have requested only $800,000. This program provides for the control and prevention of erosion and sediment damages from unreclaimed mine lands. Funds for this program are allocated through the Soil Conservation Service to State offices where active RAMP contracts exist. In justifying this termination, your budget indicates that States have increased capabilities to address various types of reclamation work. Can you describe some of these increased capabilities?

Answer: As a result of OSMRE policy initiatives to provide technical and financial assistance, States have increased the number and variety of State personnel needed to operate comprehensive reclamation programs. States are improving their capabilities to obligate funds and to carry out a wide variety of reclamation projects, including those similar to undertakings carried out under RAMP.

36. Question: Why are you proposing this in Fiscal Year 1987? Has there been an increasing amount of duplicative effort between the State and Federal programs?

Answer: OSMRE believes that phasing out direct funding for new RAMP projects eliminates the conflict that existed in setting priorities according to national needs. It will also provide States with lead responsibility for non-emergency reclamation and ensure that project selection conforms with the State's overall reclamation plan. OSMRE believes that these actions will reduce duplicative Federal administrative costs as well. As stated previously, given the State's increased capabilities, funding of a separate delivery mechanism is no longer justified.

37. Question: If this function is being transferred to SCS, what is the corresponding request in Fiscal Year 1987 for this program at SCS?

Answer: OSMRE's proposal includes support for contract modifications needed to complete existing projects toward phasing out the direct funding to the program. Other program support costs will be provided by SCS, which will identify the source of this support since OSMRE is not in a position to do so.

Small Operator Assistance Payments

38. Question: No funds have been requested in the Small Operator Assistance Payments in Fiscal Year 1987 because of the large carryover balance which is expected to total $5.5 million. SOAP provides for the regulatory authority on behalf of eligible small mine operators to pay for certain costs associated with obtaining hydrologic/geologic information that is needed in preparing coal mine permit applications. Yet, even with these carryover balances, the Fiscal Year 1987 program level will total $1.8 million. This compares to the Fiscal Year 1986 adjusted level of $3.0 million. Do you have an explanation of why these carryover balances exist?

Answer: Program demand has generally been low for several years due to changes in the coal industry and the reduced number of new small mine operations, as well as local coal market conditions.

39. Question: What reductions will be made to accommodate this reduced program level?

Answer: Staff has been reduced in the past because of lower program activity. Existing personnel are expected to be adequate to carry out oversight and other program responsibilities. No further staff changes are anticipated.

40. Question: Is this the first step to phase out this program?

Answer: OSMRE has no plans to phase out SOAP. We will meet our statutory responsibilities as long as a need for the program exists and funds are made available.

Management Action Plan

41. Question: Recently, OSM circulated a draft of a Management Action Plan ("MAP"), which articulated philosophies, options, and current practices. The intent of MAP is to build a consensus for long term management of OSM. What is the current status of MAP?

Answer: On November 25, 1985, we distributed a draft publication entitled, A Plan for Action. The document was prepared in anticipation of another publication which would be circulated for broad public comment. We received an overwhelming response to that publication which gave us valuable insight into the complexity of the issues discussed in it. OSMRE now plans to issue a guide for management, based on the draft document and further evaluations.

42. Question: Has the Office of the Solicitor participated in writing any of the drafts?

Answer: The Office of the Solicitor provided the "Statutory References" sections which appeared in several chapters of the document entitled, A Plan for Action.

QUESTIONS SUBMITTED BY SENATOR MARK ANDREWS

Apportionment Formula for Reclamation Grants

43. Question: In the Fiscal Year 1986 appropriations, the House had proposed language which would require the Secretary's discretionary fund to be apportioned based on the Abandoned Mine Lands Inventory. Had that language prevailed, North Dakota would have received little, if any, of that discretionary fund. The Fiscal Year 1986 Conference Report directed your office to submit an analysis of the merits of all allocation formulas which have been generally discussed to date or which it wishes to propose prior to hearings on the Fiscal Year 1987 OSM budget. During this review OSM was to consider a formula which would give priority to States that have good obligation rates. Has your office undertaken this analysis and what are your conclusions?

Answer: OSMRE will be conducting this analysis after obligation data is compiled and verified for the quarter ending March 31, 1986. It should be noted, however, that program regulations permit OSMRE to deobligate funds not used by States within three years. This provides further motivation for States to improve their obligation rates. As soon as the analysis is completed, we will provide the Committee with a copy.

44. Question: The North Dakota Abandoned Mine Lands Program has one of the highest grant fund obligation rates in the Nation. Continued success in the field depends on an adequate level of funding, and for North Dakota this would take a minimum of $2 million. This is approximately the amount that North Dakota has been paying into the fund each year. Coal mining in North Dakota is down, so the State's share in the fund is also less. Governor Schwinden of Montana some time ago proposed an annual guarantee of $2 million minimum in Secretarial discretionary money to all States participating in the Title IV program. North Dakota, as well as some other Western States, supports this proposal. Has OSM given this proposal consideration and what is its status?

Answer: OSMRE currently has this proposal for a minimum Federal share of $2 million under consideration. We will have to determine whether the proposal is justified in light of individual States' needs for reclamation, and in accordance with the intent of the Act. We are currently projecting into fiscal out-years in order to assess the effect that an across-the-board mininum balance would have on both State programs and the AML Fund.

QUESTION SUBMITTED BY SENATOR JAMES A. MCCLURE

Legislative Prohibition on Implementing Permit Fees

45. Question: In the Fiscal Year 1986 C.R. bill language was included prohibiting finalizing or implementing or taking any other action that would require applicants to reimburse Interior for costs incurred in the collection of application fees for permits to conduct coal exploration, surface coal mining and reclamation operations, or for processing mining plans. This language was included because it was felt that this approach to cost recovery because it imposes the total economic burden on a specific industry that is regulated by Federal statute which benefits the entire general public. Your justification indicates that you would like this language stricken in Fiscal Year 1987. If if is stricken, what plans does OSM have in Fiscal Year 1987 with respect to a rule like this?

Answer: The present language effectively restricts OSMRE's capacity to conduct any rulemaking action on this matter. However, it would be very useful, for developing any future rulemaking, to be able to have the capability to conduct initial studies and analyses concerning what alternatives are available under a rulemaking approach to cost recovery. Such authority would also allow OSMRE to obtain public input on specific alteratives prior to rulemaking.

SUBCOMMITTEE RECESS

Senator BUMPERS. This subcommittee will stand in recess until 2 p.m., on Thursday, April 24, when we will hear from the Energy Information Administration and the Economic Regulatory Administration.

[Whereupon, at 3:20 p.m., Tuesday, April 22, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, April 24.]

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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

THURSDAY, APRIL 24, 1986

U.S. Senate,
Subcommittee of the Committee on Appropriations,
Washington, DC.

The subcommittee met at 2:06 p.m., in room SD-192, Dirksen Senate Office Building, Hon. James McClure (chairman) presiding.

Present: Senator McClure.

DEPARTMENT OF ENERGY

Economic Regulatory Administration

STATEMENT OF MARSHALL A. STAUNTON, ACTING ADMINISTRATOR

ACCOMPANIED BY CARL A. CORRALLO, SOLICITOR

PREPARED STATEMENT

Senator McClure. The subcommittee will come to order.

This is the time scheduled to review the fiscal year 1987 budget request for the Economic Regulatory Administration [ERA] and the Energy Information Administration [EIA].

We will begin with ERA, whose fiscal year 1987 request totals $16,850,000. This is a reduction of $1.298 million, or 7.2 percent, from the fiscal year 1986 adjusted level.

Testifying on behalf of the Department today will be Mr. Marshall Staunton, the Acting Director of ERA.

Your opening statement will be placed in the record in full. You may introduce any associates who may be helping you today. We'll proceed directly to the questions.

[The statement follows:]

Statement of Marshall A. Staunton

Mr. Chairman and members of the committee, I appreciate the opportunity to provide this testimony in support of the funding request for the Economic Regulatory Administration in fiscal year 1987. As you know, we are an agency whose principal work of the past few years has been the completion of the Federal Government's enforcement of Federal petroleum price and allocation regulations in effect during the period September 1973 through January 28, 1981. That work has continued even though the regulations themselves were terminated in January 1981. The agency has decreased in size and its caseload has steadily been reduced over the past few years.

That trend will continue in fiscal year 1987 and our funding request of $16,850,000 reflects that fact.

As we anticipated, thanks to the efforts of the ERA staff, the case and audit workloads continue to be reduced. The cases remaining are, inevitably, the most difficult to resolve, and frequently, involve adversarial litigation. Notwithstanding, ERA has achieved several significant settlements, including a recent one with ARCO for $315 million. With respect to ERA litigation efforts the direct judicial enforcement case against Exxon was finally resolved January 27, 1986, when the U.S. Supreme Court denied Exxon's petition for certiorari. As a result, Exxon has paid approximately $2.1 billion to DOE which has been distributed to the States, territories, and possessions of the United States in compliance with the court order.

As you can see, the Department continues to maintain its vigorous enforcement program while remaining fiscally responsible when allocating tax dollars to this effort. In furtherance of this objective, we have recently consolidated several ERA enforcement functions relating to litigation. All litigation responsibilities, including litigation support and audit work in the field, are now centralized under one office, the Office of the Solicitor. This reorganization is a continuation of the process which began 1 year ago to centralize litigation resources. For the first time, ERA litigation efforts, including audit support, are now supervised by a single office. This is particularly important in view of the need to increase its productivity and effectiveness while using existing resources.

Let me give you some specific figures from our budget request. We estimate that approximately 275 cases will be in judicial or administrative litigation at the end of fiscal year 1987. Seventy-five attorneys will be available to support those cases. Our budget request for the compliance program of $13,685,000 is for 170 full-time equivalent employees including $1,300,000 for a litigation support contract. This represents a decrease of $600,000 from 1986 levels.

The budget request for the nonenforcement activities will fund 26 full-time equivalent employees in the natural gas import and electricity import/export programs. This level of manpower and resources is sufficient for the projected program workload. We are not, however, requesting funding for the Fuels Conversion Program. This program is required by the Fuel Use Act, which the request anticipates will be repealed during this fiscal year.

I believe that this funding request will adequately support the fulfillment of all our assigned responsibilities. I have no further prepared testimony. If you have any questions, I would be happy to answer them.

BIOGRAPHY OF MARSHALL A. STAUNTON

Marshall A. Staunton has been the Acting Administrator for the Economic Regulatory Administration [ERA], U.S. Department of Energy [DOE] since October 1985. Mr. Staunton has also served ERA as the Deputy Administrator for Enforcement.

Prior to joining DOE, Mr. Staunton served as legislation and services counsel for the Bechtel Group, Inc., in San Francisco, CA, from 1981 to 1984. In this position, he advised senior management on legislation in United States and foreign jurisdictions affecting company business. Mr. Staunton had been associated with the Bechtel Group since 1974, where he held a variety of positions including, chief counsel for litigation and legislation, chief counsel for the Bechtel Corp., and Bechtel Power Corp., counsel for Europe and North Africa, and counsel to Alyeska Pipeline project.

Mr. Staunton was a partner in the law firm of Johnson & Stanton in San Francisco, from 1960 to 1974, where he specialized in corporate financing, mergers, acquisitions, governmental relations, commercial and antitrust litigation, and contractor claims. From 1957 to 1960, Mr. Staunton served as law clerk to an associate justice on the California Supreme Court.

Mr. Staunton received his A.B. degree in the classics from Brown University in Providence, RI, in 1954. He received his J.D. degree from Stanford Law School in Stanford, CA, in 1957. Mr. Staunton is a member of the American, California, and San Francisco Bar Associations.

Mr. Staunton is married and has four children.

INTRODUCTION OF ASSOCIATE

Mr. STAUNTON. May I introduce, sitting directly to my left, Mr. Chairman, is Carl Corrallo, the Solicitor of the ERA, who is in charge of all litigation for the ERA, as well as the prelitigation cases. He is the one most familiar with some of the details of the work that we do.

Senator MCCLURE. Thank you very much.

CASE DEVELOPMENT

Your justification indicates one of your fiscal year 1986 goals is to complete the review and analysis of all remaining audits and the issuance of proposed remedial orders to those firms with alleged pricing violations.

Can you give me an idea of what the workload was at the beginning of the fiscal year and where you are now in completing this goal?

Mr. STAUNTON. Yes, Mr. Chairman, at the beginning of the year, there were about 100 cases which we call cases in development.

We are now at 58 cases and of those 58 remaining cases, we have approximately about 20 to 40 audits remaining. The other cases are in various stages of preparation, including drafting of consent orders or in some other stage of discovery proceeding.

Senator MCCLURE. That would indicate that you've disposed of 42?

Mr. STAUNTON. That is correct, sir.

Senator MCCLURE. How were they disposed of? Was it by settlement?

Mr. STAUNTON. No; those cases were—well, some of them were settlement. But most of those cases, however, became litigation issues through the mechanism of having what is known as the PRO, the proposed remedial order, issued and they then became administrative cases under the administrative litigation section of the ERA.

Senator MCCLURE. Are they being litigated now?

Mr. STAUNTON. That is correct.

Senator MCCLURE. They're not completed, but they're in that process.

Mr. STAUNTON. That is correct, Mr. Chairman.

Senator MCCLURE. If, indeed, you plan to get them all done this year, that's not quite one-half and you're over halfway into the fiscal year.

Are you going to make it?

Mr. STAUNTON. Yes; we have a commitment from our people in the field, Mr. Chairman, who have told us that they believe that sometime in June, they will have all but a handful of cases—and handful I will define as somewhere in the neighborhood of 10 to 15 cases—completed. The remaining 10 to 15 are principally those which have been held up due to inability to get records from the firms and various other tactics used to delay our process of developing information.

Senator MCCLURE. Are you going to get those in time to complete them before the end of this fiscal year?

Mr. STAUNTON. Our answer to that is yes.

Senator McCLURE. I heard the answer. Do you mean it? [Laughter.]

Mr. STAUNTON. I mean it, Mr. Chairman——

Senator McCLURE. All right.

Mr. STAUNTON [continuing]. Because it's very crucial to bring that part of the program to a close to signify not only to the industry, but also to other elements of Government that this can be brought down and managed in a fashion which is to conclude the whole program.

CASE LITIGATION

Senator McCLURE. If all the remaining audits will be completed in fiscal year 1986, what are the planned activities in fiscal year 1987?

Mr. STAUNTON. We have two major efforts on the enforcement side, Mr. Chairman, and they include what I will characterize as judicial litigation—that is, those cases which we have which are in the courts as distinguished from those before administrative tribunals and are administrative litigation.

By far, the group that holds the largest of those cases is administrative litigation. There are approximately 175 cases in administrative litigation.

In judicial litigation, there are 153 cases. Of those 153, 68 are bankruptcy cases. The oil industry, as you know, Mr. Chairman, has suffered and this is an indication of that. The remaining 85 cases are regular litigation cases. But of those remaining 85, about 45 of them are connected with what I'm sure you're aware of is called the stripper well litigation matters.

If the stripper well litigation matters are resolved, you can see that 45 cases will be resolved. And it is my hope that by focusing our attention on the bankruptcy elements and on the judicial litigation, we will be able to make a marked improvement on the number of cases which we have in judicial litigation.

PERSONNEL REDUCTIONS

Senator McCLURE. Because of the decreased workload in the compliance program, you have requested a decrease of $596,000 in fiscal year 1987. This decrease will be offset by costs associated with expected personnel reductions.

What are the termination costs associated with these personnel reductions?

Mr. STAUNTON. Well, there are two major personnel reductions. I will distinguish and speak only to the one, and that is on the enforcement side.

On the enforcement side, because of the fact we are bringing down the case development side of the program, which means principally auditors and accountant types, those people will have concluded and we will no longer need that kind of skilled individual within the Department.

And it is those individuals that I speak of when I'm referring to the reduction in those areas.

Senator McCLURE. Let's get to some numbers. In the overall reduction, you've talked about 14 FTE reductions. How many of those come in the compliance program?

Mr. STAUNTON. Thirty.

Senator McCLURE. If Congress approves this reduction, will you still be able to litigate all the pending cases?

Mr. STAUNTON. Yes; Mr. Corrallo is much more adept at that, but he and I carefully, together with other senior staff in the area, have gone over these figures and requirements that we have. And as the Chief Solicitor, he assures me that with the staff we have, they will be adequate and sufficient and satisfactory to perform the litigation work that we have in front of us.

Senator McCLURE. Well, I know that you expect to get effective work and do effective administration and we anticipate that, indeed, you will.

But is there also an element of good luck required?

Mr. STAUNTON. We have tried—well, there's always that. But we have tried to—I would err on the other side, Mr. Chairman. I would err on the side, and I think I've tried to do that as much as the constraints and the program have permitted.

Where we are cutting back is in that part of the program which we know is concluded and we are not losing litigation skills. We are losing, what I will call loosely, development and compliance skills. Those are primarily audit-type things, and not in the litigation area.

Senator McCLURE. Will any field offices be closed?

Mr. STAUNTON. No; that's not planned at this time.

Senator McCLURE. Within the compliance program, part of the staff i[illegible]'ized to work on audits, part on the litigation side, while another p[illegible] the staff will be devoted to monitoring postresolution complianc[illegible] final enforcement orders.

This includes the pursuit of companies found to be delinquent in payments to the DOE escrow fund.

Where in the compliance program will the FTE reduction be made? The litigation side or the postresolution side?

Mr. STAUNTON. In neither of those, Mr. Chairman. It will be made in what I call the program or case development side.

As a matter of fact, on the post or on the monitoring of the compliance with the consent orders, we are actually adding people to that staff because those numbers are increasing and we found that we needed more people there.

CASE SETTLEMENT

Senator McCLURE. Is a pattern developing that you can determine yet? Will the alleged violators in the remaining cases be more likely or less likely to settle quickly?

Mr. STAUNTON. Well, we're down, and this is going to kind of get a little bit of a guesstimate and a little bit of my own personal opinion about this. There are a number of cases out there which we're now down to the tough ones. These are the very difficult cases. These are the cases in which most money is involved, and as a consequence, they fight harder over the money and they fight harder because they are the tougher cases.

There is an element of recognition that they ultimately have to pay. So it is my view that reluctantly and grudgingly, they will pay and it will mean some tough and forceful actions on our part, but I think that they will be more likely to come to the table, both to the negotiating table and to the courts, with a willingness to settle.

Senator McCLURE. But even if they come to the table, it still requires personnel.

Mr. STAUNTON. That's right.

Senator McCLURE. If they're less likely to settle quickly, is the budget request adequate to handle it or are we cutting it close, perhaps too close?

Mr. STAUNTON. Well, no, I do not think we're cutting it too close. This request has tried to strike a balance between the requirements of budgeting, if you will, and staffing.

I think that, together with the staff, and consulting with them and getting the views expressed by them, I'm satisfied that we have adequate staff to do the job and we have enough flexibility if problems come up to handle the unforeseen.

CASE LITIGATION

Senator McCLURE. On the litigation side, your justification indicates you will conduct judicial and administrative litigation in approximately 275 cases. This is down from 400 cases in fiscal year 1986. The number of firms targeted, however, remains in about the same range. It was 45 to 65 in fiscal year 1986, and 30 to 60 in fiscal year 1987.

What governs the amount of staff, the number of firms or the number of cases?

Mr. STAUNTON. The number of cases, Mr. Chairman. For example, a single firm might have as many as six cases and they might be in refiner pricing, crude oil, NGL—there's a whole series of cases that could be developed from one single firm, particularly in these vertical oil companies, petroleum companies.

OVERCHARGE COLLECTIONS

Senator McCLURE. Do you have any idea of the value and the timing of collections of the remaining cases?

Mr. STAUNTON. Well, I can only say that I have to give this prediction, and what you're getting from me is a very cautious thing.

It will certainly not be the conclusion and final collection. I have long predicted 1991. That will change if you, in fact, get lucky and you're able to settle these cases, considering you will increase or accelerate that program in collection.

Senator McCLURE. How about value?

Mr. STAUNTON. The value that we're showing and predicting, which I still hold to, is an additional $4.2 billion.

Senator McCLURE. How about the timing of that? Any idea in which fiscal years that may occur?

Mr. STAUNTON. Well, if the stripper well case were to be settled, obviously we'd make a big hit on that right now. We'd collect at least one-quarter of it, and maybe more.

There's a couple of other refiners who have indicated a willingness to sit down and discuss. But I think that I would be overly optimistic to say more than 25 percent could be collected this year if we're lucky. The remaining would then be collected in the years from 1987 on.

Senator McCLURE. Any idea which years?

Mr. STAUNTON. Well, I'm aiming for 1989, if you really want to know what my target is. But I've been around now long enough to know that that's very optimistic.

Senator McCLURE. Well, we are faced with making some projections over a 3- to 5-year period. We have to make an estimate by year. And I know that that's very difficult. But you have a better idea than I do.

Mr. STAUNTON. I would say that we could probably get—I mean, there's a good chance of getting one-quarter of it this year, in fiscal year 1986, and I would say of the remaining 75 percent, we could probably get 50 percent in 1987 and 1988 and then, finally, in 1989, the balance.

STRIPPER WELL CASE

Senator McCLURE. What's the status of the stripper well case at this time?

Mr. STAUNTON. The parties have concluded the negotiations and the agreement. The proposed agreement is being circulated amongst them for approval and signature. We are advised that all of the parties, with the exception of the States and the DOE, have executed the agreement, and it is now in the hands, with respect to the Department, it is in the process of review by the Department of Justice and the questions and answers are being given to the Department of Justice for their review and analysis.

The States are circulating it and to the best of our knowledge, they are inclined to look favorably on it, but we have not heard any final positions on that.

Senator McCLURE. Will that have an impact on settlement of future crude oil cases?

Mr. STAUNTON. My answer is yes, and it will have a favorable impact. I will provide more details for the record.

[The information follows:]

STRIPPER WELL SETTLEMENT

If the stripper well settlement were to become final in its present form, OHA's subpart V proceedings would be streamlined and restitution would be sped up and enhanced. The funds from settlement of future crude oil cases would be available for claims by identifiable injured parties in stage I of OHA's subpart V proceedings, free (because of waivers in the settlement) of claims by refiners, resellers, retailers, airlines, farm cooperatives, surface transportation, the States, and utilities. Furthermore, secondary restitution of those funds from future settlement of crude oil cases not set aside for stage I claims would be divided equally between the States and the U.S. Treasury. Finally, it is hoped that a successful stripper well settlement would free ERA resources for resolution of its remaining case inventory and would demonstrate DOE's preference for reasonable negotiated settlements over prolonged litigation.

FUEL USE ACT REPEAL

Senator McClure. Again, this year, you have requested no funds for the Fuels Conversion Program. This is based on your premise that the Powerplant and Industrial Fuel Use Act of 1978 will be repealed prior to fiscal year 1987.

Does the administration's requested legislation on natural gas deregulation repeal the sections relating to prohibition orders relating to existing powerplants?

Mr. Staunton. No; it does not.

Senator McClure. If the legislation passes, what would be your remaining responsibilities?

Mr. Staunton. Well, we would have the responsibility of reviewing those orders and enforcing the prohibition orders, or developing them, if that were the case.

What we are in the process of doing is analyzing the impact of that legislation on our responsibilities. And that will be completed shortly.

Senator McClure. Well, I am correct, am I not, that you requested no money based upon the fact that that would be repealed.

Mr. Staunton. That's correct. You absolutely are correct.

Senator McClure. But even if that legislation passes, you still have some responsibilities left over, but you've got no request for funding.

Am I not correct?

Mr. Staunton. That is correct. But the legislation that came in was between our plan to have the entire Fuel Use Act repealed and this hearing right now and the introduction of the legislation which would leave that aspect of the Fuel Use Act in effect.

Senator McClure. Well, was it your contemplation at the time that you made your budget request that you would have no prohibition orders?

Mr. Staunton. That was correct, Mr. Chairman.

FUEL USE ACT REQUIREMENTS

Senator McClure. All right. If Congress doesn't repeal the provision which would require prohibition orders, what sort of activities do you anticipate in this program and how will you fund them?

Mr. Staunton. Well, we would then have to review that and seek funding for that and make analysis of how much that was going to cost.

We do see some workload for us, we think somewhere in the neighborhood of perhaps 5 to 10 FTE's, but we're not certain at this point and we're making a closer analysis of what will be involved in that work.

But certainly it would be work in reviewing and developing those orders, prohibition orders.

Senator McClure. I assume somewhere within the Department, you have tried to come up with the reprogramming.

Mr. Staunton. That is not correct, Mr. Chairman.

Senator McClure. Now did I understand that of the proposed 44 FTE reduction, you expect 5 to 10 of that, perhaps?

Mr. Staunton. That is correct.

Senator McClure. All right. But that would be of the 44 you have already projected.

Mr. Staunton. You are correct, Mr. Chairman.

NATURAL GAS IMPORT APPLICATIONS

Senator McClure. In natural gas and electricity operations, your justification indicates that you will process 27 new import applications in fiscal year 1986 and 33 in fiscal year 1987.

Is there a reason these applications are increasing?

Mr. Staunton. Yes; and it's obvious that the price of oil and gas have now plunged to a level which makes them extremely economic and desirable fuels by people who need that kind of energy and with the complication of coal being a very difficult fuel to handle, they find that oil and gas at these prices is an extremely attractive alternative for them.

Senator McClure. Is that expectation also based upon the repeal of existing law?

Mr. Staunton. No; I do not think so. I think it's based strictly on their taking a look at the market and they see the amount of price, or the cost of those fuels and that it looks very attractive.

Senator McClure. If the Fuel Use Act is repealed, then would you expect an increase over the amount that you've already projected?

Mr. Staunton. I would think so, yes, Mr. Chairman.

Senator McClure. Now these projections were put in the budget months ago, before the drop in oil and gas price.

Mr. Staunton. That is correct.

Senator McClure. If I understood your answer, you would then expect that there would be an acceleration or an increase in that number, would you not?

Mr. Staunton. Yes; for example, Mr. Chairman, we have had 28 new applications through this month. We have prepared our studies of this matter.

Senator McClure. How many do you anticipate, then?

Mr. Staunton. The total this year, we think, is something around 90, something like that.

Senator McClure. That would indicate some workload, wouldn't it?

IMPORT APPLICATION PROCESSING

Mr. Staunton. Yes; we have planned for that through a series of techniques of developing and streamlining our procedures to be able to handle this in a more efficient way.

Senator McClure. You were going to do that anyhow, weren't you?

Mr. Staunton. Well, we were planning to do it, yes.

Senator McClure. You weren't going to streamline it and you weren't going to be efficient?

Mr. Staunton. We were always going to be efficient, Mr. Chairman, but this——

Senator McClure. But now you're going to be even more efficient?

Mr. Staunton. That is correct, Mr. Chairman.

Senator McClure. Why weren't you, anyhow?

Mr. Staunton. Well, we had—at that point, we were looking at a more——

Senator McClure. That's an unfair question and I recognize that that is not quite fair of me.

[Pause.]

Is this a long-term problem and, therefore, should we search for a long-term response?

NATURAL GAS DEREGULATION

Mr. Staunton. Well, our answer to that is we certainly are looking at a long-term response. But at this point, we think it's premature for others to consider until we see what's happening and the results.

What we know is going to be in the immediate future, and by that I mean by November, is that Canadian gas will be completely deregulated. So that you will have, in effect, and we are assuming, of course, that American gas will be completely deregulated, which means you will have a market at sometime in the future which will produce a North American gas which is completely deregulated and the market prices will play the role.

When we have the chance to observe the effects of that, then we can see whether or not there is any further requirement for controls at all on import and export.

ELECTRICITY IMPORT/EXPORTS

Senator McClure. I note that the number of anticipated electricity export applications is anticipated to remain the same in fiscal year 1987, but will be more complex.

Mr. Staunton. Yes, Mr. Chairman.

Senator McClure. Why do you think it will be the same?

Mr. Staunton. At this point, the market, from what our studies show and from what we've heard from those who are seeking it, the relative number of—well, the capacity of the facilities to handle increased electrical loads are about standard and no new facilities, which is what would be required, are planned or on the drawing board at this time.

We anticipate that as a result of that, there won't be any new or any major increase in the demand for electrical imports.

The reason why they're more complex is because what is required now is a series of environmental studies and series of complex engineering plans for transportation of the electricity through various transmission lines and various other facilities that will be sufficient to intertie and make the distribution of imported electricity feasible.

EXXON MONITORING

Senator McClure. For the past several months, DOE has maintained a policy that it is not their responsibility to monitor the State's use of the Exxon oil overcharge funds. It is my understanding now that the position has changed and DOE will monitor those funds as if they were appropriated.

Is that correct?

Mr. Staunton. That is correct, Mr. Chairman.

Senator McClure. Can you explain this change in policy?

Mr. Staunton. Well, yes. The change—actually, we would characterize it not so much as a change in policy, but, rather, a change in the interpretation of the decision which gave rise to our view, as you have stated it.

Senator McClure. Are you stating, then, that it wasn't voluntary, that you think you were driven to it?

Mr. Staunton. That is correct—well, no, not to change the policy. [Laughter.]

When the decision in the *Exxon* case arose, we understood the judge's order in a particular fashion, that what he wanted us to do and the extent of his monitoring was simply to review his reports which the States filed with us.

That point has now been clarified and we have said, fine, to the court, that we're prepared to follow——

Senator McClure. I don't object to that at all because I personally feel that that should have been the policy in the first place.

But setting that aside, will additional funds be required in fiscal year 1986 to do this monitoring?

Mr. Staunton. I can't answer that question, Mr. Chairman, because that's being done by the Conservation Organization. I haven't discussed that with them. They are in the process of reviewing the cost elements of that. But I personally do not know whether there will or will not be.

[Pause.]

ADDITIONAL COMMITTEE QUESTIONS

Senator McClure. We will have some additional questions to submit for response in writing for the record. I appreciate very much your appearance here today.

Mr. Staunton. Thank you, Mr. Chairman.

Senator McClure. Thank you.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

FUNDING OF FUELS CONVERSION PROGRAM

Question. If the proposed natural gas legislation were to be enacted, what would be ERA's FTE and funding requirements to carry out its remaining fuels conversion responsibilities?

Answer. While the proposed natural gas regulatory reform legislation will remove demand restraints and eliminate price controls on all gas, it does not repeal section 301 of the Powerplant and Industrial Fuel Use Act of 1978 [FUA] which grants authority to issue prohibition orders to utilities that voluntarily convert from oil and gas to coal and leave those already issued in place. Therefore, resources would still be required to process new requests for prohibition orders and requests for rescission or modification of existing orders. Presently, there are 25 final prohibition orders that cover 55 powerplants. Four orders covering nine powerplants are in the process of being completed. By the end of fiscal year 1986, ERA expects to complete all but one order request that was received in January 1986. Recently, ERA has begun to receive requests from utilities for rescission or modification of finalized orders based on changed circumstances brought about by the age of certain powerplants and the drastic reduction in the prices of oil and gas. Although it is yet unknown how many requests for new prohibition orders for changes to existing orders will be received during the next fiscal year, it is estimated that $580,000 will be needed in fiscal year 1987 to fund a staffing of five FTE's ($325,000), travel ($5,000), and contract support for environmental review requirements ($250,000) to carry out the remaining provisions of FUA.

Question. If no legislation repealing any aspect of FUA were enacted, how many FTE's and what funding would be necessary to continue ERA's fuel conversion responsibilities?

Answer. In all years prior to fiscal year 1985, ERA received an average of about 30 exemption petitions per year. In fiscal year 1985 ERA experienced an unanticipated volume which more than doubled that average and in fiscal year 1986 it appears that the fiscal year 1985 volume will be more than doubled again. In the first 6 months of fiscal year 1986, ERA received 71 petitions which represents an increase of almost 500 percent over the average 6-month period prior to fiscal year 1985. ERA is currently experiencing inordinate regulatory delay in granting exemptions to economically justifiable facilities, to the point that even now responses to the petitions are in jeopardy of exceeding the 180-day mandatory turnaround time required under the law. ERA presently believes that reduced oil and gas prices will most likely cause the number of exemption petitions to increase to about 140 in fiscal year 1987. Accordingly, if the proposed natural gas legislation is not passed by fiscal year 1987, it is estimated that $2,015,000 will be needed in fiscal year 1987 to fund a staffing level of 27 FTE's ($1,755,000), travel ($10,000), and contract support for environmental review requirements ($250,000) in order for ERA to continue its reponsibilities under the current provisions of FUA.

ELECTRICITY EXPORT APPLICATIONS

Question. I note that the number of anticipated electricity export applications is anticipated to remain the same in fiscal year 1987 but will be more complex. Is there a reason these are becoming more complex?

Answer. The primary consideration for evaluation of export applications (and Presidential permits) is the impact of the proposed action on the reliability of regional electric power grids. New lines are being built with greater capacities and new import/export arrangements are being negotiated for larger amounts of energy than ever before. Consequently, the loss of a single, high-capacity transmission line has the potential of adversely impacting the interconnected utilities within several contiguous regions of the United States. The increased complexity in these preceedings relates to the identification and solution of potential regional and, in some cases, multiregional electric reliability problems.

REIMBURSEMENT TO EIA FOR ADP SUPPORT

Question. For the first time, $210,000 was included in fiscal year 1986 for case tracking and audit support from the Energy Information Administration. You have made this a request for these funds again in fiscal year 1987. Can you explain how these funds were used in fiscal year 1986, if they have been used, and how the use of fiscal year 1987 funds might differ?

Answer. The funds noted in the fiscal year 1987 appropriation request for reimbursement to EIA for ADP support services in fiscal year 1986 are primarily for case tracking and audit support in the compliance program. In addition, the Natural Gas and Electricity and Fuels Conversion Programs also maintain analytical and recordkeeping files on the EIA system. Charges by EIA to ERA for the first half of fiscal year 1986 indicate that ERA will probably expend most of the $210,000 by year end. At this time, ERA does not foresee any substantial change in its ADP requirements from EIA in fiscal year 1987. Accordingly, we are requesting the same level of funding for this activity in fiscal year 1987 as was in fiscal year 1986.

ENVIRONMENTAL IMPACT STUDIES

Question. Again this year you have requested $250,000 for environmental impact studies to comply with the National Environmental Policy Act, as well as reliability assessments for proposed electric transmission facilities. Could you explain in more detail the nature of these environmental studies and how they comply with NEPA?

Answer. Compliance with the National Environmental Policy Act of 1969 [NEPA] requires that an environmental impact statement [EIS] be prepared for any major Federal action which is expected to significantly affect the environment. All applications for Presidential permits (for the construction of a new or the modification of an existing transmission line) are referred to DOE's Office of Environmental Guidance [OEG] for review. If OEG determines that the issuance or amendment of a Presidential permit would be a major Federal action significantly affecting the environment, then an EIS must be prepared. Under ERA's existing regulations, the applicant for a Presidential permit must pay for all environmental analyses, either by selecting an independent contractor which DOE approves and can direct, or by reimbursing the Treasury (not DOE) for the EIS contracted for and paid for by DOE. Historically, DOE has chosen one of the national laboratories to perform these analyses. ERA must have funds available to pay the lab for its analyses even though the applicant in turn reimburses the Treasury for the cost of any work performed by the national lab and paid for by ERA.

Question. What activities were completed in fiscal year 1986 with these funds?

Answer. By the end of fiscal year 1986, ERA will have completed an EIS for a 450,000 volt, direct current transmission line in New England. This line is an extension of a line permitted by ERA in April 1984.

Question. How many impact statements will be done for $250,000?

Answer. Recent EIS's have averaged between $250,000 and $300,000 each. However, even though these funds are charged to the ERA budget, the actual cost to the Federal Government is zero because of reimbursement by the applicant.

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ENERGY INFORMATION ADMINISTRATION

STATEMENT OF HELMUT A. MERKLEIN, ADMINISTRATOR

ACCOMPANIED BY ALBERT H. LINDEN, JR., DEPUTY ADMINISTRATOR

PREPARED STATEMENT

Senator McCLURE. We will turn now to the Energy Information Administration whose fiscal year 1987 request totals $59,651,000. This is an increase of 4.3 percent from the adjusted fiscal year 1986 level.

Testifying on behalf of the Department is Dr. Helmut A. Merklein, Administrator of the Energy Information Administration.

Your full statement will be made a part of the record. If there are any of those who will be assisting you you'd like to introduce at this time, we'll then proceed to the questions.

[The statement follows:]

STATEMENT OF HELMUT A. MERKLEIN

Mr. Chairman, members of the Committee, I am pleased to appear before you today to present the proposed Fiscal Year 1987 budget request of the Energy Information Administration, or "EIA" as we refer to ourselves. This request is for $59.7 million and 479 full-time equivalent staff years (FTE's). I consider this amount to be adequate to continue EIA's basic mission in 1987.

MISSION OF THE ENERGY INFORMATION ADMINISTRATION

The EIA is the Nation's primary source of comprehensive energy information. EIA provides relevant and timely energy data and analysis reports to the Executive Branch, Congress, State governments, and the public so that those who make decisions about energy are informed adequately to make those decisions well. EIA also provides energy data, analysis, and processing support to the Federal Energy Regulatory Commission and to other Department of Energy (DOE) offices to assist them in carrying out their responsibilities.

The EIA collects, evaluates, assembles, analyzes, and disseminates data and information that are pertinent to energy resources and reserves; energy production, consumption, distribution and technology; related economic and statistical information; and data and information that bear upon the adequacy of energy resources to meet this Nation's demands in the near and longer term future. This is in accordance with EIA's legislative mandate.

While administratively an integral part of the Department of Energy, the EIA is vested with a considerable measure of autonomy in determining both the information to be gathered and the content of EIA reports. In creating the EIA, the Congress meant to establish an unbiased source of energy information and analysis. Current subjects of interest to this Congress include petroleum prices, natural gas contracts, and tax reform. I am pleased to report that EIA continues to make a contribution to the national debate on these subjects by conducting special purpose analyses at the request of Congress. It is my intention to continue to manage EIA in such a manner as to maintain its reputation for providing high quality, objective information to the Congress, the Executive Branch, the States, industry, and the public.

USES OF EIA PRODUCTS

Over the past several years EIA has continued to develop and improve the statistical quality of its products so that it has become an integral component of the Federal statistics program. Several recent and varied uses of EIA products serve to illustrate this point.

The U.S. Trade Representative recently used EIA petroleum import data for an analysis of refined product trade issues and used uranium data and analysis to assess the potential impact of uranium trade restriction policy options. The Defense Fuel Supply Agency uses EIA petroleum price data each month to assess area market conditions for their petroleum procurements and for escalator indices in their contracts. The Military Sealift Command has used our petroleum supply data for logistical exercises in support of U.S. military requirements. The Bureau of Economic Analysis uses EIA's petroleum data for the Gross National Product accounts and for input-output analyses. The Bureau of Labor Statistics (BLS) uses our energy price data to verify the Producer Price Index and to calculate foreign crude oil price indices. Monthly electricity price data and residential energy consumption data are used by the BLS to make adjustments to the Consumer Price Index. EIA's domestic and international refinery models and consumption forecasts are being used by the National Petroleum Council in their study of worldwide refining trends, and the Electric Power Research Institute has adopted our industrial energy forecasting model for utility forecasting. EIA coal, electric power, and petroleum data are routinely used by the Environmental Protection Agency (EPA) for developing both area emissions estimates and new source performance standards. EPA also uses our petroleum data for analysis of motor gasoline lead phasedown activities. EIA coal production data are used, and often republished, by the National Coal Association, Associated Press, Businessweek, Energy User News, Industry Week, the Federal Reserve Board, and the Department of Labor. Our data on the various energy sources are published by the Census

Bureau in their Statistical Abstract of the United States. The International Energy Agency uses EIA's information and analyses on energy sources as the official statistics to describe the U.S. energy situation in international forums and publications. Our residential energy consumption data are used in the annual report by the Senate Special Committee on Aging and were recently used in a special report for the Congress evaluating energy conservation and renewable energy tax credits. EIA's nonresidential buildings energy consumption data are used by the American Society of Heating, Refrigeration, and Air Conditioning Engineers to develop building code standards.

FY 1986 ACTIVITIES

During FY 1986, EIA is continuing to produce and provide a stable core of publications and analysis reports. This includes all major integrated publications, such as the Monthly Energy Review, the Annual Energy Review, the International Energy Annual, the Annual Energy Outlook, the International Energy Outlook, and the Short Term Energy Outlook. Also included are the major fuel-specific publications, such as the Electric Power Monthly, the Natural Gas Monthly, the Petroleum Supply Monthly, and the Petroleum Marketing Monthly. EIA will also produce the annual oil and gas reserves report, the Weekly Petroleum Status Report, and other weekly, monthly, quarterly, and annual reports. In addition, the Nonresidential Buildings Energy Consumption Survey will be funded and work will be completed on the redesign of this survey for fielding in FY 1987. EIA will continue to provide basic energy information support to the Federal Energy Regulatory Commission on a reimbursable basis to assist it in meeting the needs of its regulatory functions. EIA will also provide support to other EIA data users on a reimbursable basis, such as the Office of Civilian Radioactive Waste Management, the Strategic Petroleum Reserve Office, and the the Social Security Administration. Finally, EIA will continue to manage the DOE energy information forms clearance program and prepare the annual DOE Energy Information Collection Budget.

EIA is conducting several additional activities of interest to this Committee. Funding for the Manufacturing Energy Consumption Survey (MECS) was provided in the FY 1985 Continuing Resolution. A pilot test of the MECS has been successfully completed and the data collection form and instructions have been revised to incorporate the results of that effort. The first full scale MECS will be conducted by the Bureau of the Census (Bureau) for EIA later this Spring. The Bureau will field the survey under the joint authority of section 13(b) of the Federal Energy Administration Act of 1974 as amended (FEA Act) and section 9 of title 13 of the U.S. Code. The former is EIA's mandatory data collection authority and the latter provides complete confidentiality protection to the data collected by the Bureau under that authority.

The Financial Reporting System (FRS) will continue in 1986 as specified by Congress. This activity includes the collection and publication of financial and operating data on major energy companies.

In addition to the FRS and MECS, two other programs will be continued in FY 1986, consistent with congressional direction. First, EIA is conducting the State Energy Data System and its companion State Energy Price and Expenditures Data System. These systems include information by State on coal, natural gas, petroleum products, electricity, and nuclear power. Second, the State Heating Oil Grants Program will be funded in FY 1986. EIA coordinates this cooperative effort with 12 to 16 States to collect heating oil price and inventory data. In the conference report accompanying the FY 1986 Continuing Resolution EIA was directed to accomplish these two programs within available funds.

Finally, in February 1986 EIA was able to complete the purchase of the initial computer equipment configuration associated with our five-year computer replacement effort. This accelerated purchase allowed us, through decreased interest payments, to save $780,000, as compared with the purchase plan originally envisioned. The savings realized in FY 1986 by this purchase will help offset the funds needed by EIA to continue the State energy information systems and the State Heating Oil Grants program as directed by Congress.

IMPACT IN FY 1986 OF THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985

FY 1986 reductions resulting from the Balanced Budget and Emergency Deficit Control Act of 1985 total $2.6 million for EIA. These reductions have generally been applied across all EIA activities. They will result in a reduction in quality control and maintenance for ongoing petroleum supply and marketing systems in such areas as follow-up data checks and frames maintenance. Quality checks of FRS data will also be reduced. A planned Coke Plant Report requirements analysis will not be performed. Several computer model updates will be curtailed or deferred including petroleum, natural gas, and electric power models. A classified international petroleum situation report will be changed from a quarterly to a semiannual cycle. Funding support for the Energy Modeling Forum, whose members include modelers in both the public and private sectors, will be terminated. In addition, there will be a slightly reduced level of effort in statistical support services, in publications and inquiry activities, and in planning and evaluation. We feel these reductions can be absorbed without a significant impact on our information products during FY 1986.

FY 1987 OBJECTIVES

EIA plans to remain an unbiased and relevant source of energy information in FY 1987. Recognizing the current emphasis on deficit reduction, the budget proposal includes modest program reductions in the areas of quality maintenance, modeling and analysis, and publication and inquiry activities. The request also proposes the elimination of some programs. The increases proposed in FY 1987 are primarily to cover the rising cost of administrative support services, especially for rent and telephones.

EIA will continue to provide the Executive Branch, Congress, State governments, industry, and the public access to information produced by the National Energy Information System, and will continue to manage the energy information collection clearance process for the entire Department, including the Federal Energy Regulatory Commission, and to produce the Department's Energy Information Collection Budget. In addition, EIA will continue to provide major energy data support on a reimbursable basis to the Federal Energy Regulatory Commission, the Office of Civilian Radioactive Waste Management, and other agencies, both within and outside of DOE.

EIA's total budget request does not differ significantly from the FY 1987 Base; that is, the FY 1986 budget adjusted downward for the reduction due to the 1986 provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 and upward for inflation. However, there are several program changes within the total which I will now discuss.

NATIONAL ENERGY INFORMATION SYSTEM

The National Energy Information System (NEIS) contains the operational elements of the EIA. They are: the Oil and Gas program; the Coal, Nuclear, Electric, and Alternate Fuels program; the Energy Markets and End Use program; ADP Services; the National Energy Information Center; and the Office of Statistical Standards. The first three programs were referred to collectively in previous budgets as "Collection, Production, and Analysis," and the latter three as "Program Services." The request for NEIS is $49.1 million and 445 FTE's.

Decreases in the FY 1987 NEIS request total $3.3 million, about one-third of which is due to lower computer equipment purchase requirements as compared to 1986. Three programs are proposed for elimination and several quality maintenance activities will be cancelled, deferred, or reduced. Staffing for NEIS is requested at seven FTE's less than the 428 FTE's authorized in 1986. This two-percent staffing reduction is consistent with the proposed program eliminations and the reduced level of quality maintenance activities.

The budget request for the Oil and Gas information program is $12.4 million. In FY 1987, this program has proposed to eliminate one project and to reduce funding in the petroleum marketing area. The State oil price and inventory cooperative agreements which comprise the State Heating Oil Grant program is scheduled to be terminated. This program has been funded by EIA since FY 1979, with the exception of FY 1983. The States which participate in this program collect State-level residential price data. Some States also gather wholesale fuel oil price and inventory figures. This has enabled EIA and State energy agencies to monitor and evaluate heating oil price, supply, and distribution trends. However, much of the information produced from this program is available, on a weekly basis, through other EIA surveys. In addition, the program was originally created, and continues to exist, as a result of apprehensions of fuel oil price escalations and shortages. The fact is that the real price of distillate (U.S. average) has declined by 27 percent since 1981, and there has not been a shortage in more than six years. It will be remembered that last fall, in particular, relatively low inventory levels prompted predictions of widespread shortages during the current heating season. EIA recognized that the new inventory situation reflected a shift in marketing strategies that in no way represented these predictions. EIA said as much in its October 1985 Short-Term Energy Outlook in an effort to assure the public that there was no reason to fear a shortage. Clearly, within the context of available resources, this program is of lower priority than other programs that EIA is conducting.

The funding decrease in the petroleum marketing information area will result in cancellation of a data consolidation effort and a modest reduction in frames maintenance activities. The Office of Oil and Gas is also planning to cancel its crude oil surveillance field studies and the foreign energy supply assessment program (FESAP). We are currently negotiating with other agencies of the U.S. Government to determine whether they are interested in maintaining the FESAP. If so, EIA is willing to continue the program with outside funding. A reduction of five FTE's is also proposed for the Oil and Gas program, consistent with the program decreases just described.

The FY 1987 budget request for the Coal, Nuclear, Electric and Alternate Fuels program is $4.0 million. We are proposing several changes in this program. EIA will assume funding responsibility for the uranium industry viability assessment program mandated by Section 23 of Public Law 97-415. This activity was funded previously by the Department's Office of Nuclear Energy which, in the past, had been transferring money to EIA for program implementation. The coal information area will reduce its quality control program and will slow its publication schedule for some products. There is also a decrease of one FTE for coal information activities. The electric power information area will not pursue the planned expansion of its financial analysis capability. The nuclear information program will be decreased by one FTE and will defer updating the international portion of the model used to project the demand for uranium and enrichment services.

There are three major changes planned in the Energy Markets and End Use program, which has a proposed funding level of $3.7 million, and a general level-of-effort reduction of three FTE's. First, EIA is requesting funds to conduct the Residential Energy Consumption Survey and to plan the 1988 Manufacturing Energy Consumption Survey. The FY 1987 funding request for our end use program activities is several hundred thousand dollars less than in 1986, largely due to the fact that the residential survey is less complex, and therefore less costly to design and implement, than the nonresidential survey which was funded in last year's budget. In FY 1986, we placed each of our end use surveys on a triennial cycle. Since major changes do not occur with great frequency in these sectors, this schedule is sufficient to track and analyze major trends in each of these sectors.

Second, we are again proposing to terminate the Financial Reporting System (FRS) in FY 1987. This program is legislatively mandated by the Department of Energy Organization Act, Public Law 95-91, section 205(h). The Administration has submitted proposed legislation in the Congressional Reports Elimination Act of 1985 to repeal the requirement. As mentioned earlier, the FRS includes the collection and publication of financial and operating data on 22 major energy companies. This data collection is excessively burdensome and is duplicative of publicly available data. The series was established in 1977, in the face of considerable apprehension that the embargo-generated increase in crude-oil prices would bring a permanent windfall to the oil companies. As it turned out, and as some economists did predict, this was not the case. The windfalls associated with the 1973/74 rise in crude-oil prices, and a similar windfall in 1980/81, were both dissipated through increased drilling and exploration efforts in the largely competitive environment of the oil and gas producing industry. Today, the major oil companies collectively have a financial performance, in terms of both returns on assets and returns on owners' equity, that is well below that of the Standard and Poor 400 Industrial Corporations, taken as group. Moreover, the recent and dramatic decline in crude oil prices is subjecting the industry to a depression, the worst it has had in the past decade, so that all activities not directly related to productive efforts become doubly burdensome and would ordinarily be eliminated. Finally, financial accounting standards have evolved rapidly since 1974, so that data (especially reserve data) that were hard to get a decade ago are today required to be included in quarterly and annual corporate reports. This coupled with the fact that most of these data are already collected and published by commercial enterprises, at a time when it is critical to control government spending, make a convincing case that the time for eliminating the FRS is now. I strongly urge the repeal of this burdensome requirement.

Third, EIA is proposing to discontinue the State Energy Data System, its companion State Energy Price and Expenditures System, and related reports. These systems and reports provide State estimates by energy source and economic sector by year. Input for the program is mostly derived from EIA's primary data systems. Maintenance of the primary systems has higher priority than publication of non-emergency estimates derived from them. In addition, many State-level consumption estimates are derived from sales, distribution and deliveries data; they are not collected directly from consumers. Accordingly, they reflect the results of various estimation procedures and data series that serve as mere surrogates for consumption.

EIA's largest program decrease ($1.2 million) is in the ADP Services program and it is primarily the result of lower computer equipment purchase requirements as compared with 1986. As mentioned earlier, EIA is in the process of implementing a long-term computer replacement effort. FY 1987 represents the third year of a five-year funding plan.

The National Energy Information Center, our public information window to the world, will increase by two FTE's to implement and maintain a centralized reports preparation program using an automated publications system. There will be an offsetting reduction for other publications services, such as editing and microfilming, consistent with decreased contract funding in this area.

The Office of Statistical Standards is responsible for assuring the overall statistical quality of EIA's information products. To assure quality, this program, among other tasks, conducts audits of EIA's information products. This area will experience a small reduction of funding in FY 1987 which will result in the performance of one less system audit and the discontinuation of an effort to develop model evaluation techniques. An increase of one FTE is requested for statistical review of EIA products. The budget request for these last three programs is $10.0 million.

POLICY AND MANAGEMENT

The Policy and Management program provides for overall EIA direction by the Administrator and his support staff, planning, budgeting, contract management, and other administrative functions and services. The FY 1987 proposal of $10.5 million and 34 FTE's includes a program increase of $2.6 million to meet the funding requirements for administrative support services provided by the Department's Office of Management and Administration. This increase is largely attributable to higher telephone costs associated with a new DOE telephone system and vendor, and General Services Administration increases in the standard level user charges for building space. Decreases in the Policy and Management area will result in elimination of planned improvements to our automated management information system, and contract studies on the relationship and consistency of EIA's data and modeling systems will be phased out in FY 1987. A small in-house systems integration function will continue.

I believe that EIA's FY 1987 request is adequate. It allows only two major increases. Since these are in non-discretionary areas, they have to be accommodated by offsetting program reductions elsewhere. All of the programs that EIA is proposing for elimination in FY 1987 are, in my estimation, of sufficiently low priority to warrant this action. We all, of course, are cognizant of the impact that dangerously high deficits can have on the economy of this Nation. My plan, in taking action against this deficit, is to insist on resource levels that are no more than what is absolutely necessary to accomplish program objectives. In the case of EIA's FY 1987 budget, I believe that the recommended resource levels are reasonably sized to accomplish EIA's basic objectives.

I will be glad to answer any questions the Committee may have.

QUALITY OF EIA PRODUCTS

Senator McClure. In the National Energy Information System Program, you have proposed a decrease totaling $2.78 million. This decrease is made up of smaller decreases in numerous activities performed in the national energy information system. These activities will be deferred, scaled back, or eliminated.

Obviously, this decrease will affect the quality of data produced by EIA, but will it also affect the integrity of EIA products in the long run?

Dr. Merklein. Well, Mr. Chairman, for the most part, when we talk about production and quality, we are talking about things we would have liked to do that we're not now going to do.

I do believe that the record is excellent as far as the area of quality is concerned. We have had just 10 days ago testimony to that effect by Mrs. Wendy Gramm, testifying on behalf of OMB, that among the various Government agencies that she reviews, EIA stands out as a model in terms of the quality of the statistical data.

I have a breakdown of the statistical efforts that we have done and, if you please, we can go over some of those.

Senator McClure. Well, if you'd provide it for the record, we'll place it in the record.

Dr. Merklein. Fine. Yes.

Senator McClure. Thank you.

[The information follows:]

QUALITY ASSURANCE PROGRAM STATUS

	Fully documented	Incomplete	Total
Model documentation:			
Basic models	31	1	32
Auxiliary models	3	0	3
Developing models	0	1	1
Total	34	2	36

	Fully documented	Documentation to be written in 1986	New systems documentation to be written after fiscal year 1986
Data system documentation:			
Oil and gas	29		6
Coal, nuclear, electric, and alternate fuels	23	2	5
Energy markets and end use	9		1
Total	61	2	12

	1983	1984	1985	1986	Surveys to be audited after fiscal year 1986
Survey audits:					
Oil and gas	10	5	7	[1]2+8	21
Coal, nuclear, electric, and alternate fuels	0	5	3	1	17
Energy markets and end use	0	0	3	[1]2	11
Total	10	10	13	13	49

[1] Second-round and multiyear audits.

PROPOSED ELIMINATION OF THE FINANCIAL REPORTING SYSTEM

Senator McCLURE. Are any of the studies that are proposed to be eliminated mandated by law?

Dr. MERKLEIN. Yes; they are.

Senator McCLURE. If so, which ones?

Dr. MERKLEIN. The financial reporting system is mandated by law. It's the biggest one that we had hoped we would be able to eliminate. But it is an old hope dating back several years.

It is mandated by law.

ADMINISTRATIVE SUPPORT SERVICES

Senator McCLURE. You have requested an increase of $3 million, or 27 percent, for administrative support services provided by the Management and Administration Program. These funds are necessary to meet the administrative support requirements estimated by the Assistant Secretary for Management and Administration.

Is your estimate of these administrative support functions consistent with the Assistant Secretary's?

Dr. MERKLEIN. Yes; it's an increase of about $2.4 million on two counts alone. The first one is a telephone system, about $1 million. It's sort of a one-time charge, replacing the existing, somewhat obsolete system with a new one which has upfront capital costs which, hopefully, will be returned to reduce operating costs over the years.

The other $1.4 million is an increase charge on the space within the building. The result of that increase in charge is that every 3 years, it's my understanding that a survey is performed for relevant geographical areas and market rates are applied to the various office spaces used by the Government in that area. We've just been through that. That's $1.4 million and we have no control over that.

Senator McCLURE. Did you question it, or do you question it?

Dr. MERKLEIN. Well, on purely economic grounds, I would not question it.

Senator McCLURE. But do you agree with the results? Did they do it correctly? Are you satisfied?

Dr. MERKLEIN. I have the utmost confidence that the rates that they used are correct, but I have not personally reviewed them.

Senator McCLURE. All right. Last year, most agency budgets assumed a 10-percent reduction in administrative expenses.

Why are you trying to get it back this year?

Dr. MERKLEIN. Well, the administrative expenses, I believe, for the most part, are those $2.4 million I alluded to earlier, which are the charges for telephone and space.

Senator McCLURE. Well, there's another $600,000.

[Pause.]

Dr. MERKLEIN. OK, yes, sir. That's largely an inflation factor for various items, such as travel, personnel costs, training, and contracts. The biggest item is contracts.

Senator McCLURE. Isn't that a pretty large inflation adjustment in percentage?

Dr. MERKLEIN. Not in terms of contracts. I would have to submit the data for the record for what that means in terms of percent of contract.

Senator McCLURE. Would you please do that?

[The information follows:]

ADMINISTRATIVE SUPPORT SERVICES

Program direction costs within policy and management are $10.2 million in fiscal year 1987, an increase of $2.9 million over fiscal year 1986. The increase provides for $300,000 in inflation, at a rate of 4.3 percent, across all categories within program direction (administrative support services, promotions and related personnel costs, travel, and training inflation). The portion of the $2.9 million attributable to increased program costs for administrative support services is $2.6 million. This increase is largely due to two items: (1) $1.4 million is based on an increase in the General Services Administration's rates for building space rental and (2) approximately $1 million is the EIA's share of the increased costs associated with the Department's purchase of a new telecommunications system. The small additional program increase of $200,000 is the net increase of all the various administrative support services costs, aside from rent and telephones, after accounting for inflation.

NATIONAL ENERGY INFORMATION SYSTEM DECREASES

Senator McClure. Just looking at the record overall, it would appear that you've cut corners in various surveys and reports in the national energy information system to fund an estimated increase in management and administration.

Is that correct?

Dr. Merklein. Well, sir, it has been said that there aren't any corners left. It's a round building by now. [Laughter.]

I still believe that the statistical integrity of the data base is sound. For the most part, there are things like, for example in the coal area, there is a requirements study on certain plants that we are not now doing.

We've had help in this area from various quarters. Some believe that the requirements studies per se have a tendency to produce the result that people, when asked, would like to always have more data. And I have gotten myself into some measure of trouble for saying "no" recently when some people would have liked me to say "yes."

It's this sort of thing.

I think in terms of the basic survey frames, upkeep of the frames, the statistical work, it is not suffering that much.

I'd also like to point out that, in terms of the budget, we had something on the order of $1 million a year just for quality in 1984 and we were falling behind. We had a two-time shot in the arm, if you like, and had it raised to $4 million in 1985 and $2.5 million in 1986.

In 1987, we're down to $1.7 million, but it's still $700,000 above the 1984 $1 million.

We will proceed at a greater pace than the pace at which it started falling behind.

EIA STAFFING REQUIREMENTS

Senator McClure. You've requested an increase of almost $600,000 in fiscal year 1987 for program direction in the national energy information system. You justify this increase by stating that EIA entered fiscal year 1986 understaffed. This understaffing, combined with the effects of sequestration, resulted in decreases to the budget value for the fiscal year 1986 program.

Your justification indicates that you had 426 FTE's in fiscal year 1985 and anticipate having 428 FTE's in fiscal year 1986. Yet, you also indicate that continued hiring in fiscal year 1987 will be necessary to reach the ceiling of 421 FTE's.

What do you mean by budget value?

Dr. Merklein. Mr. Chairman, there are two sets of numbers that one can use to discuss this question. The NEIS data that you have mentioned, or EIA as a whole, which would include my office and our management office.

With your indulgence, I would like to discuss the numbers for EIA as a whole.

We ended fiscal 1986 with 471 persons. Of which, 455 were full time and 16 were part time.

As a result of the Gramm-Rudman action in February 1986, we had reduced that number, 471, to 457. In other words, the 455 full time came down to 444 and the 16 part-time people came down to 13.

At this moment, we are up somewhat from that low at 463 overall, and that is 448 full time and 15 part time.

We plan to be up to strength at the end of fiscal year 1986, but that, of course, means that, on average, for 1986, we will be below strength.

Senator McCLURE. I'm left a little puzzled because first you said you entered the year understaffed. And if I understand correctly, your ceiling is 421 and you're already over that.

Dr. MERKLEIN. Well, again, that's for EIA as a whole.

Senator McCLURE. All right.

Dr. MERKLEIN. The ceiling for EIA is 479.

Senator McCLURE. Well, the national energy information system is a smaller part, isn't it?

Dr. MERKLEIN. That is correct.

Senator McCLURE. It's a part of the total.

Dr. MERKLEIN. That is correct.

Senator McCLURE. What is your total number of FTE's in the national energy information system?

Dr. MERKLEIN. Well, I don't have the data onhand, but I would be happy to submit them for the record for the dates that I've indicated.

Senator McCLURE. All right.

[Pause.]

Dr. MERKLEIN. Here, I have some given me. The latest date I have is April 24, 1986. NEIS is 407—that's a different way of counting.

In addition to that, we have 24 who are reimbursed by the Federal Energy Regulatory Commission and DOE's Office of Civilian Radioactive Waste Management. And that would be an equivalent number of 431.

Senator McCLURE. Well, according to the justification, your ceiling is 421.

Dr. MERKLEIN. Mr. Chairman, I would, in that case, want to take the question on advisement and give you the details.

Senator McCLURE. Would you supply that information?

Dr. MERKLEIN. Yes, sir.

Senator McCLURE. Again, in your justification, you said that the understaffing, combined with the effects of sequestration, resulted in decreases to the budget value for the fiscal year 1986 program.

What do you mean by that term, budget value?

[Pause.]

Senator McCLURE. If the answer to that is darned if you know——

Dr. MERKLEIN. No; with your permission, I would like to have Mrs. Loretta Beaumont come forward. I think she can address that in some detail.

Senator McClure. Or if you'd like to submit it for the record, that would be satisfactory, too.

Dr. Merklein. That would be fine.

Senator McClure. Thank you.

[The information follows:]

NATIONAL ENERGY INFORMATION SYSTEM STAFFING

The referenced narrative in the budget justification describes onboard staffing, whereas the table refers to the authorized level of full-time equivalent staff years [FTE's] in fiscal year 1986 and fiscal year 1987 and the actual FTE's expended in fiscal year 1985. The EIA entered fiscal year 1985 at an onboard staffing count about 20 above our authorized national energy information system FTE level of 432 for that year. Throughout the year we lost considerably more staff than we were able to replace so that, although NEIS expended 426 FTE throughout fiscal year 1985, we ended the year with an onboard count of about 415. Thus, we entered fiscal year 1986 with an onboard staff level below our authorized FTE level. At the time of the fiscal year 1986 sequestration, NEIS had an onboard count of about 400 and we realized that, even with increased hiring through the end of the fiscal year, we would not expend the full 428 FTE's authorized in fiscal year 1986. Therefore, the amount of salary and benefits funding included in the budget request was reduced to fund 420 FTE's rather than the authorized 428 FTE ceiling. This funding reduction was part of the sequestration. As of mid-April 1986 NEIS had an onboard count of about 410.

The increase of approximately $600,000 in NEIS program direction from fiscal year 1986 to fiscal year 1987 consists largely of price growth, $553,000, to accommodate promotions, the related increased contributions to retirement and benefits, awards, and travel and training inflation. The small remaining program increase is limited to funding for 1 FTE and is based on the assumption that NEIS will expend 420 FTE's in fiscal year 1986 and 421 FTE's in fiscal year 1987.

The term budget value refers to the fact that we have a fiscal year 1986 FTE ceiling of 428 FTE's for NEIS but we only included funding for 420 FTE's in the fiscal year 1986 estimate shown in our fiscal year 1987 request, thus the value shown in the budget does not fully fund our fiscal year 1986 FTE ceiling.

EIA PETROLEUM FORECASTS

Senator McClure. On February 14 of this year, EIA's short-term energy outlook projected that U.S. demand for petroleum products would increase slightly in 1986. This was based on the assumption that imported oil prices would decline to $24 per barrel by the beginning of the third quarter of 1986.

EIA's publication, "Annual Energy Outlook, 1984," has been used as a base case for oil imports of 8.65 million barrels of oil a day by 1995. With low prices, this projection jumps to almost 12 million barrels a day.

Have you had an opportunity to update either study?

Dr. Merklein. Yes; the short-term energy outlook is coming out in about 10 days.

I should point out, as regards the short-term energy outlook, that it came out in January. It did have a low case, actually, of $20 per barrel and it was written in December 1985—that is, at a time preceding the actual decline of oil prices.

While we're still in the draft stage, it should come as no surprise that the new short-term energy outlook will be substantially lower in oil prices, somewhere in the neighborhood of $15.

Now as regards the annual energy outlook, we did have a new one that came out since that time, but it's my understanding that somehow, you did not receive a copy. I have brought two copies because I just this morning found out that you didn't have it.

But, yes, we did have a high import number in the old one of, I believe, it was 11 million barrels per day.

We have reviewed that number and we have, in the new 1985 AEO, reduced import numbers, mostly because, under the given price scenario, we've had a long, hard look at the demand assumptions that went into the old AEO.

It was my feeling at the time they were too high. It had something to do with the long-term trend of energy consumption per dollar's worth of real output, and it had declined over the years, the last 30 or so years, by about 30 percent.

Now the oil embargo had done something to accelerate that savings rate, if you like, but my feeling was that after the oil embargo had played out, we would resume that 1 percent annual increased efficiency in the use of energy and get back on this 30-year trend. And in the previous AEO, we did not reflect that and that was the difference.

Senator McClure. There is a vote on the floor and I'm going to have to go. Rather than ask you to stay until I come back, I'll submit the balance of my questions and we can conclude the hearing today.

ADDITIONAL COMMITTEE QUESTIONS

Thank you very much for your testimony. There will be additional questions from myself and other Members of the subcommittee which will be submitted.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Financial Reporting System

Question: Again in FY 1987, you have not requested funds for the Financial Reporting System. Repeal legislation was introduced as part of S. 992, the congressional Reports Elimination Act of 1985. When this legislation passed the Senate on March 14, 1986 the provision to repeal this requirement was not included. Are the prospects for repeal of FRS greater on the House side? If the FRS requirement is not repealed, what are the FY 1987 funding requirements?

Answer: Elimination of FRS is proposed in H.R. 2518, the Congressional Reports Elimination Act of 1985. That bill is under consideration by the House Committee on Government Operations. If the requirement is not repealed additional FY 1987 funding requirements for FRS would be $365,000 and 3 full time equivalent staff years (FTE's).

Question: It was my understanding that the FY 1986 funding requirement for FRS was $500,000. Your justification, however, indicates that the FY 1987 decrease for FRS is $365,000. Are you planning on performing part of the FRS functions in FY 1987 with the difference?

Answer: The FY 1987 budget request includes $150,000 in contract funding to conduct financial analysis using publicly available data, rather than conducting a formal FRS data collection. EIA believes that sufficient data are publicly available for financial analysis of major energy producers through data submitted to the Securities and Exchange Commission via Form 10K and through quarterly and annual corporate reports. We anticipate that a savings of $365,000 and 3 FTE's can be achieved by using this approach in lieu of the FRS data collection and analysis program.

State Energy Data System

Question: Again this year you have proposed to eliminate the State energy data report and the State energy price and expenditures report. These reports provide historical data on State-level energy consumption, and price and expenditure data by sector and product. One of the reasons used in proposing their elimination is that the information published is outdated. Is there a way of getting more current data? If so, would current data be useful?

Answer: Over the past 2 years EIA has been working to compress the preparation schedule for the State Energy Data Report and the State Energy Price and Expenditures Report. For example, State Energy Data System (SEDS) data for 1984 are scheduled to be published in May 1986 which is 17 months after the end of the data year. We published 1983 data in August 1985. Previous SEDS reports were lagged by 2 years or more from the end of the data year. We are also working to improve the schedule for the State Energy Price and Expenditures System (SEPEDS) report from a lag of 2 years and 6 months to about 1 year and 10 months. However, SEDS and SEPEDS will always be constrained by the timeliness of the primary data systems from which the SEDS/SEPEDS data are derived.

Question: Has another source been found for this making your work duplicative?

Answer: There is no other source for the comprehensive State-by State estimates provided by SEDS/SEPEDS. The EIA does not propose to eliminate these systems because they are duplicative. Rather, the main reason for proposing SEDS/SEPEDS for elimination is that maintaining the primary data systems has a higher priority than publication of non-emergency estimates derived from them.

Question: What are the FY 1987 funding requirements to continue these reports?

Answer: The FY 1987 requirements for this program would be $95,000 in contract funding and 3 full time equivalent staff years.
SEDS/SEPEDS data are derived. There is no other source for the comprehensive

State-by State estimates provided by SEDS/SEPEDS. The EIA does not propose to eliminate these systems because they are duplicative. Rather, the main reason for proposing SEDS/SEPEDS for elimination is that maintaining the primary data systems has a higher priority than publication of non-emergency estimates derived from them.

Quality Maintenance Activities

Question: In FY 1985, Congress provided you with $4 million, for quality maintenance. In FY 1986, another $2.5 million was provided to continue to maintain or upgrade the quality of your products. Your justification indicates that the Deficit Control Act resulted in a decrease in quality control and maintenance in FY 1986. In FY 1987, your budget states that quality control and maintenance activities will be reduced or delayed in a least seven instances. What is FY 1987 funding for quality maintenance and what is it for?

Answer: In FY 1987, EIA estimates that about $1.7 million in contract funds will be expended for quality maintenance in addition to about 30 FTE's. Reductions in FY 1987 are primarily aimed at not implementing planned improvements, rather than at deleting existing quality controls.

Question: Why does quality maintenance appear to be such a low priority?

Answer: EIA continues to place a high priority on making quality maintenance investments to prevent deterioration of products and to keep programs in compliance with standards. Quality maintenance investments designed to achieve improvements are considered to be of lower priority compared with continuing basic data series and forecasts.

Question: At this lower level of quality maintenance, how long will it be before your data becomes measurably less reliable?

Answer: We do not expect that EIA data will become measurably less reliable. Planned quality maintenance reductions are not expected to result in any EIA program falling out of compliance with EIA standards, which provide the benchmark for determining whether EIA data are reliable enough. Over the past two years, EIA has reduced its model and system documentation backlog and conducted large frame update surveys for its major systems. In FY 1987 and beyond, our goal is to include routine quality maintenance funding in our ongoing program operating costs.

Supply Disruption Analysis

Question: What is the impact of your plan to change the schedule on your report on the potential impacts of an annual supply disruption from a quarterly to a semiannual basis? Have the users of the report indicated a willingness to pay to keep this report on schedule?

Answer: The change in schedule for the classified report on the potential impacts of an oil supply disruption from a quarterly to semiannual basis is not expected to impact negatively on the Department's contingency analysis capability. We have discussed the schedule change with the users of the report and we have agreed to update the "business as usual" forecast on a quarterly basis but to examine and report on hypothetical supply disruption scenarios only on a semiannual basis. The various members of the interagency group who use this report have not indicated a willingness to pay to maintain the quarterly report. Of course, in a real emergency, EIA is prepared to provide an immediate analysis of the situation with the specific emergency event in mind.

Tax Proposal Analysis

Question: At the request of Congressman John Dingell, EIA conducted a study on the impacts of the various tax proposals and the effects of falling oil prices. What is the status of this study?

Answer: The study was completed and delivered to Chairman Dingell on

April 18, 1986. The report, titled "The Impact of Lower World Oil Prices and Alternative Energy Tax Proposals on the U.S. Economy," presents an outlook for world oil prices, an analysis of the effects of a $10 per barrel drop in world oil prices on the domestic economy and on domestic energy markets through 1995, and an analysis of four alternative energy taxes. The four alternative proposals examined are a $5 per barrel oil import tariff, a tax on motor gasoline and diesel fuel, a tax on all petroleum products, and a tax based on the energy content of natural gas and oil products. In brief, the study concludes that the larger the crude oil price decrease in 1986, the sooner the subsequent price increase will begin. However, by 1995, the 1986 crude oil price will make almost no difference because prices 10 years from now will be based primarily on fundamental longer term market forces, rather than on current market transients. The analysis of the effects of lower world oil prices on the U.S. economy indicates generally positive effects on economic growth, inflation, unemployment and the Federal deficit. U.S. dependence on foreign oil would, however, increase as domestic production declines and domestic consumption increases. The analysis of the four alternative energy taxes indicates that the broader based the tax the less destructive its side-effects on the economy. The import tariff is shown to have the greatest adverse impact on the domestic economy, largely as a result of the accompanying increase in oil prices, both imported and domestic. Consumption of all energy products is not projected to change significantly as a result of any of the taxes. Increased oil production (about 200,000 barrels per day by 1990) is projected under the import tariff scenario, resulting in some reduction in petroleum imports. Such a reduction in imports could increase the current downward pressure on world oil prices, and cause prices to fall by an additional one to two dollars per barrel.

Petroleum Demand and Import Projections

Question: On February 14, of this year, EIA's Short-Term Energy Outlook projected that U.S. demand for petroleum products would increase slightly in 1986. This was based on the assumption that imported oil prices would decline to 24 dollars per barrel by the beginning of the third quarter of 1986. EIA's publication Annual Energy Outlook, 1984 has been used as a base case for oil imports of 8.65 million barrels of oil a day by 1995. With low prices, this projection jumps to almost 12 million barrels a day. Have you had an opportunity to update either study?

Answer: The Energy Information Administration (EIA) has updated the Annual Energy Outlook (AEO) for 1985. The January Short-Term Energy Outlook (Outlook) has been updated and publication of the April Outlook is scheduled for May 6, 1986.

Question: What price level is used in the Annual Energy Outlook, 1984, to come up with the 12 million barrels a day?

Answer: The price level used in the 1984 AEO associated with imports of 12 million barrels per day in 1995 was $30 per barrel (1984 dollars). In the 1985 AEO, the corresponding "High Import" Case yields 10 million barrels per day of imports by 1995, based on a world oil price of $25 per barrel (1985 dollars). The change reflects both less consumption and more production than that projected in the 1984 AEO. EIA in the past has tended to underestimate the impacts of conservation on demand. The 1985 AEO explicitly recognizes such impacts, even over a long period of relatively low prices.

Question: At what price level would U.S. demand begin to increase significantly?

Answer: We believe that current prices are sufficient to induce significant increases in petroleum demand, but that the response will be gradual, over a period of several years. Our April Outlook projects a demand increase of about 3 percent in 1986, assuming world oil prices are in the $15-$17 range for the rest of the year. As consumers and industry react to lower prices over a longer period, more substantial increases in demand (due to larger cars, higher thermostat settings, less emphasis on conservation, etc.) could be expected.

Question: Does industry agree with that assessment?

Answer: Based on a comparison with other forecasters, EIA's assessment of consumption in 1995 appears to be within the range of other projections, when corrected for differences in world oil price assumptions. Although EIA had the lowest demand of four forecasts analyzed for 1995, it also had the highest price assumption with the exception of National Energy Policy Plan.

Question: With prices fluctuating so much, how hard is it to make these projections?

Answer: Price fluctuations are less important than low price levels in assessing the difficulty of making demand projections. The prices now being seen are generally lower than those experienced over the past decade. Consequently, demand models estimated during recent history have a high degree of uncertainty when assessing the impact of these low prices on demand.

Projected Effects of an Arab Oil Embargo

Question: A recent press report indicated that DOE studied the projected effects an oil embargo from Arab members of OPEC would have on the U.S. This study concluded that, because of changes in the world oil market since 1970 and the current excess production capacity, even an expanded OPEC embargo would have "no impact". Are you aware of any official DOE report that comes to this conclusion? If so, what are some of the assumptions that went into this report? If not, do you have any data that would concur with that conclusion?

Answer: We are not aware of an official DOE report on this subject. Although such a supply disruption is considered to be extremely unlikely, a situation analysis was conducted of the potential impacts that a three month Arab embargo on the United States and Western Europe might have. Based upon our current projections for the second quarter of 1986, such an embargo would disrupt more than 5 million barrels per day of supplies from North Africa and the Persian Gulf. However, about 2 million barrels per day of this could be offset by increased production in other countries (primarily from Indonesia, Nigeria, Venezuela, and Mexico) and the remainder could be offset by the drawdown of strategic stocks by members of the International Energy Agency.

Through the use of these alternative supplies, the price and economic impacts could probably be held to a minimum. However, there could be some price increases due to technical market adjustments and psychological reactions. Crude oil prices would probably remain in the $15-24 per barrel range. Gasoline and heating oil prices could rise by as much as 20 cents per gallon during the embargo period, but prices would still be less than those at the end of 1985.

Economic impacts (12-month average) could range from no impact to a maximum of less than a 1 percentage point reduction in previously expected economic growth. The inflation rate would probably increase by no more than 1 percentage point and the unemployment rate by no more than one-half percentage point. The effect on the industrial production index would probably be less than a 2 percentage point decline.

SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee will stand in recess until 2 p.m., Tuesday, April 29, 1986, when we will review the fiscal year 1987 budget request for the Bureau of Indian Affairs.

Thank you, Dr. Merklein.

Dr. MERKLEIN. Thank you.

[Whereupon, at 2:45 p.m., Thursday, April 24, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, April 29.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

TUESDAY, APRIL 29, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:20 p.m., in room SD-192, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure, Stevens, and Cochran.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

STATEMENT OF HON. ROSS O. SWIMMER, ASSISTANT SECRETARY, INDIAN AFFAIRS

ACCOMPANIED BY:

- HAZEL E. ELBERT, DEPUTY TO ASSISTANT SECRETARY (TRIBAL SERVICES)
- HENRIETTA WHITEMAN, DEPUTY TO ASSISTANT SECRETARY/DIRECTOR (INDIAN EDUCATION PROGRAMS)
- FRANK A. RYAN, DEPUTY TO ASSISTANT SECRETARY (TRUST AND ECONOMIC DEVELOPMENT)
- RONALD L. ESQUERRA, DEPUTY TO ASSISTANT SECRETARY (OPERATIONS)
- MARY ANN KHALATBARI, CHIEF, DIVISION OF BUDGET OPERATIONS, OFFICE OF BUDGET, DEPARTMENT OF THE INTERIOR
- THOMAS A. STANGL, ACTING ASSISTANT DIRECTOR, FINANCIAL MANAGEMENT
- JOHN GEARY, TRIBAL SERVICES

PREPARED STATEMENT

Senator MCCLURE. I apologize for the delay. The Republican conference was talking about budgets, and I regret to inform you that no agreement has been reached. Which, I am sure, surprises everyone.

This is the time scheduled to review the fiscal year 1987 budget estimates for the Bureau of Indian Affairs [BIA]. The 1987 budget totals $924,700,000, a reduction of $81,703,000 below fiscal year 1986 appropriations to date.

Of the amount provided for the current year, $43,314,000 is sequestered.

Secretary Swimmer, we welcome you in your first appearance before this subcommittee. It is clear to those of us with an interest in Indian affairs, that you have taken a most aggressive and positive role in overseeing the operations of the BIA.

Your complete opening statement will be included in the record at this point. If you would introduce those who may be supplying information or testimony today, we will proceed directly to the questions.

[The statement follows:]

STATEMENT OF ROSS O. SWIMMER

I am pleased to appear before you today to discuss the FY 1987 budget for the Bureau of Indian Affairs' programs.

The 1987 budget request reflects the growing role of tribal governments in the operation of reservation programs. Even though our budget has been designed to comply with the deficit reduction requirements of the Gramm-Rudman-Hollings Act, there is still an increase provided for the operation of those programs most directly affecting the Indian people.

The 1987 appropriations request of $923.7 million of which $862.1 million is for the operation of Indian programs is an increase of $8.5 million from the FY 1986 adjusted appropriation for program operations. Our request includes increases from the FY 1987 Base in Social Services, $1.2 million; Law Enforcement, $506,000; Self-Determination Services, $4.2 million; Business Enterprise Development, $1.2 million; Real Estate and Financial Trust Services, $4.6 million; Management and Administration, $1 million; Program Management (Construction) $500,000; Consolidated Training Programs, $1.4 million; and Loan Guaranty, $288,000.

The $295 million requested for the new budget activity of tribal/agency operations includes funding for local service programs planned and operated at the reservation or agency level and some other programs offering direct services to tribes and individuals. The consolidated funding of these operations will allow tribes more direct and immediate input in making local decisions concerning fund usage to meet current needs and will reduce federal restrictions.

In order to improve services for Indian children and reduce program duplication, we are proposing the transfer of responsibility for the services now provided under the Johnson O'Malley education program to the Department of Education (ED). Increased funding to provide these services is included in the ED budget request. At the same time we are proposing to move some Title IV education funding from ED to the BIA. This will place all programs affecting Indian students attending public schools under ED and move programs affecting BIA-funded schools to the BIA. This transfer of responsibilities will occur, in large measure, through reallocation of funds in the Congressional appropriations process. Because of the need to reform the operations of selected ED programs, changes to existing legislation will be proposed in due course. The amendments will ensure that tribal contractors and Indian organizations will continue to play a role in the delivery of supplementary educational services to Indian students. No authorizing legislation will be required for the transfer of funds for former Title IV programs into BIA.

Our request proposes an increase of $5.6 million in funding for the indirect costs of self-determination contracts, offset in part by a proposed reduction of $4.0 million in self-determination grant funding. We believe the increase in funds for tribal indirect costs is necessary to further the goal of having reservation programs operated by the tribes.

Some of the major decreases from the 1986 appropriation levels are accounted for by the transfer of the Johnson O'Malley program responsibilities, $22.1 million; reduced construction, $41.7 million; elimination of one-time payments of $6.0 million for emergency hay purchases and $7.5 million for payments to the Alaska Escrow account; and a general decrease of $12.0 million for Alaska operations.

At my confirmation hearings before the Congress several months ago, I said, "The Bureau of Indian Affairs should continue encouraging tribes to take more responsibility by contracting programs that are now run by the Bureau. An integral part of any government is the responsibility to raise money and spend it as is needed for the common welfare of its citizens. Much of the money tribes have access to is now spent by the Bureau instead of tribes. However, we must also realize that some tribes will not move as fast as other tribes toward self-government and we have to be patient. We need to move at each tribe's pace and be aware of the unique circumstances of each tribe. On the other hand, I believe we should encourage and stimulate movement of tribes toward self-government and self-sufficiency through regulations and incentives that reward the tribes that take on these additional responsibilities". The flexibility in making local decisions concerning fund usage to meet current needs as recommended in our new line item of tribe/agency operations will help the tribes to achieve those goals.

The following discusses the details of the changes in our FY 1987 request. The increase/decrease amounts are compared to the FY 1987 Base contained in our Justifications. It should be noted that the 1987 Base restores funding sequestered in 1986 pursuant to the Gramm-Rudman-Hollings deficit reduction legislation. Therefore, a "reduction" from the Base funding level may actually constitute an increase from the actual 1986 funding level.

TRIBE/AGENCY OPERATIONS

Total funding for Tribe/Agency Operations in FY 1987 is $295 million (3,713 FTE). The net decrease of $6,336,000 (+1 FTE) consists of a reduction of $6,336,000 (-32 FTE) for BIA programs in Alaska, a decrease of $4,000,000 for self-determination grants, and an increase of $4,000,000 (+33 FTE) which will be spread among programs for the benefit of Indian tribes based on their own priorities for funding.

EDUCATION

School Operations

Funding for school operations is being decreased by $3,999,000 (-211 FTE). The decrease consists of -$1,200,000 for non-recurring items included in FY 1986 related to academic standards (such as staffing adjustments and purchase of library books, periodicals, and media equipment) and a decrease of $2,799,000 for the Indian School Equalization Program (ISEP). The decrease in ISEP reflects the transfer of residential students to day school programs, changes to the Intensive Residential Guidance and Bilingual programs, and the continuing emphasis on adjusting appointments of school staffs to an appropriate number of pay periods.

Johnson O'Malley

For FY 1987 responsibility for services now provided under the Johnson O'Malley (JOM) program is proposed to be transferred to the U.S. Department of Education (ED). Funding for the JOM program, which serves eligible Indian students in public schools, will be consolidated with the public school program under the Indian Education Act. The Department of Education will assume full Federal responsibility for Indian children attending public schools.

Continuing Education

The FY 1987 program reflects a decrease of -$1,939,000 for the Special Higher Education program (see Indian Education Act Funding, below) and a decrease of -$432,000 for operating grants to Tribally Controlled Community Colleges.

Indian Education Act Funding

For FY 1987, responsibility for selected activities in the Department of Education which benefitted children in BIA-funded schools will be transferred to the Bureau of Indian Affairs. These programs, funded at $9,500,000 in FY 1987, are special enrichment grants, educational services grants and pilot and demonstration grants. This shift will give the BIA responsibility for full funding of Indian students in BIA-supported schools. Responsibility for the ED Indian Fellowship program would also be transferred to BIA in 1987 to replace the BIA Special Higher Education Program. A total of $2,000,000 is provided for this program in 1987.

INDIAN SERVICES

Tribal Government Services

The FY 1987 program includes decreases in Community Services (-$79,000, -3 FTE) and All Other Aid to Tribal Government (-$127,000, -2 FTE). These decreases are the result of changes in Area Office priorities.

Social Services

The net increase of $1,190,000 consists of an increase of $3,833,000 for general assistance to needy Indians in FY 1987, an increase of $100,000 (+3 FTE) for the quality control program, and decreases of -$2,710,000 for grants to organizations under the Indian Child Welfare Act and -$33,000 (-2 FTE) at Area Offices.

Law Enforcement

Increased funding of $500,000 (+12 FTE) will permit the hiring of additional criminal investigators to improve the rate at which on-reservation crime is prosecuted. It will also allow the Bureau to furnish equipment for detention centers which have recently been renovated (+$100,000). Area Office priority changes resulted in a decrease of -$94,000 (-2 FTE).

Self-Determination

The requested increase of $4.2 million for Self-Determination Services reflects an increase of $5.6 million to cover the indirect costs of new tribal contracts, an increase in technical assistance, and a decrease of $1.7 million for Small Tribes Core Management grants. The increase in funds to support new contracts reflects continuing progress in the Administration's efforts to encourage increased P.L. 93-638 contracting by tribes. The adjustment in the Small Tribes Core Management Program reflects a phasedown of the program to a maintenance level, and its phaseout in the Juneau Area.

ECONOMIC DEVELOPMENT AND EMPLOYMENT PROGRAMS

Employment Development

The FY 1987 request is reduced by $497,000 due to one-time FY 1986 funding of a grant to the Crownpoint Institute of Technology, and Area Office adjustments totaling a reduction of $9,000.

Business Enterprise Development

The FY 1987 economic development grant program will be increased by $1,068,000 to provide additional Indian Business Development Program grants to individuals and tribes. These grants provide 25 percent of the funding for economic development projects matched by 75 percent funding from the private sector. The individual grants will be approved at the Area Office level; and an increase of $101,000 (+3 FTE) is proposed to handle the additional workload.

NATURAL RESOURCES DEVELOPMENT

Forestry and Agriculture

The major decrease in this category is $6.0 million for the one-time cost in FY 1986 for emergency hay relief for livestock in North and South Dakota and Montana. Other decreases include Forest Development (-$3,750,000) and Fire Equipment (-$415,000). Water Policy Implementation (-$1,500,000) and Wildlife and Parks (-$110,000) are also reduced. The Forest Development program retains $4.4 million to continue the backlog elimination program started in 1977.

Minerals, Mining, Irrigation & Power

The 1987 program includes the reduction of a one-time amount for Hopi coal lease re-negotiation efforts (-$100,000) and an increase of $960,000 in special projects which will be used in support of the overall plan to correct oil and gas royalty payment problems in the BIA. This increase is offset by a decrease of $960,000 in minerals assessments. There is also a decrease of $353,000 in irrigation operation and maintenance funding.

TRUST RESPONSIBILITIES

Indian Rights Protection

The FY 1987 program has a decrease of $315,000 in Environmental Quality Services related to completion of hazardous waste site surveys. Other reductions include: -$1,020,000 in litigation support and -$350,000 in attorney fees; reductions in Alaska for historical and cemetery sites investigations (-$1,658,000, -20 FTE); deferral of some work involving subsistence and allotments in Alaska (-$700,000, -10 FTE); Native Group Grant payments (-$412,000) and land selection cost payments (-$750,000).

Real Estate and Financial Trust Services

The FY 1987 Real Estate Services program contains an increase of +$3,937,000 (+4 FTE) which includes about $3 million for cadastral surveys, mostly in Alaska, and $718,000 for Land Records Improvement. The Financial Trust Services program contains an increase of +$450,000 which includes an increase of +$150,000 to improve trust fund investment operations and +$300,000 to develop and implement a trust fund accounting system. An increase of +$202,000 is also requested for Trust Services, General, as a result of Area Office priority changes.

FACILITIES MANAGEMENT

The reduction in funds for the operation and maintenance of existing facilities activity includes a savings due to demolitions (-$300,000) planned under the Construction Management activity, and Agency facility closings in Alaska (-$1,248,000). This reduction is partially offset by an increase (+$415,000) for operation and maintenance of newly constructed Bureau facilities.

GENERAL ADMINISTRATION

Management and Administration

An increase of +$1,048,000 and +11 FTE will finance an expected increase in costs of FTS, postage and other intra-governmental billings, travel and printing costs (+$428,000); improved fund control and program analysis (+$123,000, +3 FTE); a contract management system (+$166,000, +1 FTE); financial management system corrections (+$330,000); development of single agency classification standards and study of excepted qualification standards related to Indian preference (+$76,000); and Area Office adjustments due to priority changes (-$75,000, +7 FTE).

Employee Compensation

The proposed increase of $72,000 will be used to establish a chargeback system for Department of Labor billings for workers compensation benefits to the Bureau organization where the accident/illness occurred. This chargeback system will promote safety for the employees and produce expected monetary savings to the Bureau since managers will have greater incentive to improve their safety programs in order to reduce this expense.

ADP Services

The overall reduction is offset partially by increased funding (+$108,000) required to fully cover Central Office staff support costs. The reduction in Central System Support due to cost avoidance derived from "buy-out" of leased equipment (-$2,250,000) will be offset by proposed purchases of small ("micro") computers for pilot projects to enhance program/administrative operations (+$300,000), equipment for the Indian Integrated Resources Inventory Program (+$500,000), and equipment for Trust Fund Management (+$350,000).

Program Management

Of the +$500,000 increase, $200,000 will be applied to the Facility Safety Inspection Program to perform more frequent inspections through contract to identify life safety hazard projects in Bureau facilities and $300,000 to demolish Bureau facilities that are underutilized.

Consolidated Training Program

This increase ($1,350,000) will be used to recruit and train qualified Indians to improve the quality and efficiency of the services provided by the Bureau to tribal groups. To achieve this objective the Bureau will activate understudy, cooperative education, and in-service training programs for its employees. The funding will cover the developmental expenses such as: course fee/tuition, instructors, materials, and other specialized training/education costs. These programs will not be duplicative of those which may already exist outside of the Federal Government.

CONSTRUCTION

Buildings and Utilities

The FY 1987 request of $28,960,000 for Facilities Improvement and Repair will be used to correct unsafe conditions in existing Bureau facilities.

Irrigation Systems

The FY 1987 program contains $1,500,000 to continue funding for the Papago Irrigation Project, Arizona. Funds are requested ($1,000,000) for the Flathead Indian Irrigation Project, Montana, to rehabilitate the project's irrigation distribution system. Funding ($9,155,000) is also included for continuation of the dam safety program. This program includes providing early warning systems for ten projects and structural modifications on 13 projects. The request also includes funds for surveys and designs ($500,000) and engineering and supervision ($1,745,000) for Indian irrigation projects throughout the United States.

Housing

The FY 1987 request of $16,295,000 will continue renovation of existing homes for needy Indians on reservations and the general management of the program Bureauwide.

ROAD CONSTRUCTION

Project funds ($75,000,000) are included in contract authority allocations from the Highway Trust Fund administered by the Federal Highway Administration (FHWA), Department of Transportation, and are not included in the Interior Department budget. In FY 1987, the Bureau of Indian Affairs will continue to finance all costs of the Indian road construction program through this contract authority. These include funds for Central Office program management and for program supervision by the area/agency offices, not to exceed 5% of the total contract authority allocation. A total of 33 FTE/T is financed in this account for the field equipment pool operations which collect rentals as reimbursements for the use of BIA-owned heavy equipment used on FHWA projects. All other program FTE/T (682) will be available from the FHWA allocation account in FY 1987 to carry out work using the funding provided by the FHWA.

INDIAN LOAN GUARANTY AND INSURANCE FUND

The Indian Financing Act Amendments of 1984 authorized the Bureau to request funds for payment of interest subsidies on guaranteed loans, management and technical assistance on these loans, and to reimburse the fund for losses paid on guaranteed loans. The funds requested in FY 1987 will pay for one year's interest subsidy and for management and technical assistance in FY 1987. The expected level of total new loan guarantees is $30,000,000 in FY 1987.

ALASKA SAVINGS

In FY 1987 the budget proposes a savings of $12 million in Alaska to be derived by eliminating funding for agricultural extension, adult education, Indian child welfare (ICWA), small tribes initiative, road maintenance, minerals & mining, water resources, and facilities management. It also reflects a reduced level of activity in several other programs. The proposed savings will be partially offset by an increase of $2.5 million to accelerate surveys of Alaska Native allotments. Alaska has only one reservation; over 30 percent of Alaska Natives live in urban areas, and the remainder live in villages which can receive revenue sharing under the Alaska State law to meet their needs. Given the improvement in the State's economy which has benefited the Native economic status, the absence of large blocks of trust land holdings that the United States has statutory responsibility to fully manage, the absence of any tribal treaty rights to be protected, and improved Bureau efficiencies, the Administration believes that Alaska Natives no longer require the same levels of financial support that the Federal Government provided in the past. In the recent past, the State has taken on greater responsibility for serving Alaska Natives with educational and welfare assistance programs. It is expected this trend will continue and that the State will pick up other responsibilities to Natives as citizens of the State.

CONCLUSION

Mr. Chairman, this concludes my prepared remarks. My staff and I will be pleased to answer any questions you may have. Thank you.

INTRODUCTION OF ASSOCIATES

Mr. SWIMMER. Thank you Mr. Chairman. I appreciate this opportunity of appearing before you and will assure you that the duties are very challenging.

I have behind me, seated from your left to right, Mary Ann Khalatbari, who is in the Department, Office of the Budget. To her left is Frank Ryan, Deputy for Trust and Economic Development. Next to him, Dr. Henrietta Whiteman, Deputy for Indian Education Programs. Next to Henri, Tom Stangl, who is the Acting Assistant Director, Financial Management. Next to Tom is Ron Esquerra, Deputy for Operations. And next to Ron is Hazel Elbert, Deputy for Tribal Services. And next to Hazel is John Geary, Tribal Services.

They will be able to help me answer the questions of your committee, and I would like to call on them as need be.

Senator McCLURE. Thank you very much.

FISCAL YEAR 1986 SUPPLEMENTALS

The Bureau has requested $26,500,000 in supplemental funds for fiscal year 1986. Of this amount, $25 million is to repay the costs of firefighting and the remaining $1,500,000 is to implement a court decision arising from a fishing dispute in the State of Michigan.

Does the amount requested in the supplemental represent the full amount the BIA will be required to pay under this settlement

Mr. SWIMMER. As I understand it, it will.

Senator McCLURE. The House-reported supplemental contains the bill language proposed by the administration, which would place the money in a fund, the interest from which would be used by the Chippewa-Ottawa Treaty Fishery Management Authority. We have received an appeal from the Department, requesting that the funds be made available to the tribes rather than to a management authority.

Does that appeal represent the current position of the Department on the use of those funds?

Mr. SWIMMER. No; I think we are still working on that issue. My preference on that is that the funds be given to the authority, rather than individually to tribes. I believe the intent of it is certainly to keep the money together to be used for the general fisheries management. And we have had some discussion internally about the effects of the 638 contracting procedures.

Senator MCCLURE. Will you keep us informed as that legislation moves to the point where we have to make a decision concerning it, so that we have the latest advice as possible?

Mr. SWIMMER. Certainly.

Senator MCCLURE. In the supplemental the House also added $4.8 million in order to restore the 4.3-percent reductions made in general assistance and child welfare programs. If these additional funds were not provided, what action will the Bureau take during the current fiscal year?

Mr. SWIMMER. If these additional funds are not provided for fiscal year 1986, the BIA will continue to reduce the ICWA Program by 55 percent in order to maintain the general assistance and child welfare programs at the fiscal year 1986 appropriated levels.

Mr. MCCLURE. Of the amount provided by the House $2,866,000 would be for general assistance. We understand that there may be an additional shortfall of between $3 and $4 million during this year. What action would you propose to deal with this matter?

Mr. SWIMMER. The BIA would propose to meet any shortfall in welfare assistance grant funds through a reprogramming effort or a request for a supplemental appropriation.

GENERAL ASSISTANCE PAYMENTS

Senator MCCLURE. Other than the general authority provided by the Snyder Act, the only legislative citation with respect to general assistance payments is found in our fiscal year 1985 regular and supplemental appropriations bills.

We have seen a draft opinion of the Solicitor's Office which states that the effect of the supplemental language, which would put into law Bureau regulations, was to establish both a floor and a ceiling on general assistance payments, thus effectively creating an entitlement program which would require the BIA to reprogram funds if the amounts appropriated were insufficient.

Lawyers could endlessly argue, and perhaps will, whether the supplemental language remained in effect for succeeding fiscal years, but since the language was a Senate amendment, I can assure you that there was no intent to change general assistance to an entitlement program. This is a policy issue and if existing language needs to be changed, it should be changed.

Is it the policy of the Department of the Interior that general assistance payments are an entitlement?

Mr. Swimmer. I would say that it is not the policy, although we believe it would be, given the Solicitor's opinion on this issue and interpreting the appropriations language, that it has, in fact, created an entitlement.

Senator McClure. Do you regard that as a permanent entitlement?

Mr. Swimmer. It would be under the language that we would be following. Although whether it is in each year's language or not, once it has been established that way, our Solicitor has indicated that it creates that concept of an entitlement.

Senator McClure. Do your contracts with tribes which manage general assistance grants contain language relative to the availability of appropriations?

Mr. Swimmer. Yes.

Senator McClure. Are there provisions for the notification of reduced or terminated payments, should funds not be available to meet the demand?

Mr. Swimmer. There would simply be a reduction in the contract to the tribes. Under the consideration we are giving now to the entitlement theory, we would have to make up that money though within the contract.

Senator McClure. Even though the contract itself provided for it?

Mr. Swimmer. The contract couldn't provide for something that was contrary to law. We have that provision as a standard in our contracts. But if general assistance is considered an entitlement, they would be entitled to come back in and ask for more money to make up.

Senator McClure. And sue and collect?

Mr. Swimmer. That would be an opinion for the Solicitor, I guess.

Senator McClure. He got us into this. Maybe he can get us out of it.

Mr. Swimmer. That might be.

Senator McClure. Could the Bureau amend its regulations so as to provide for reduced payments should there be insufficient funds to meet total demand, or is bill language required?

Mr. Swimmer. It is our opinion that some bill language would be required to do that. We could amend the regulations, but we are still facing the possibility of the concept of entitlement. Legal action has been brought on this issue before. And, out of the consideration of the language that is in there now, they could be successful.

Senator McClure. Didn't the Government win those other actions?

Mr. Swimmer. That was before the different language was put in.

Senator McClure. We may have some further questions to submit for the record in that regard.

SCHOOL CONSTRUCTION

Secretary Swimmer, we understand that the Bureau has ranked only four schools on the construction list, and you are basically proposing a moratorium on new school construction pending development of a long-range plan for Bureau schools.

We certainly applaud that stance, if what we have heard is correct. Is it?

Mr. Swimmer. Yes.

Senator McClure. Along with postponing additional school construction, will you recommend delaying some of the high-cost renovation projects for schools?

Mr. Swimmer. We have changed our policy, or at least improved on the policy of facilities improvements. In order to emphasize those facilities that need to have rehabilitation for life-threatening situations—we have developed criteria for ranking, with that being No. 1, and then on down through general rehabilitation.

Most of the money we are asking for would be used in the higher ranked categories and not for general rehabilitation. But we are, in fact, trying to target that money for projects that are in fairly desperate need for rehabilitation.

ALASKA BUDGET ISSUES

Senator McClure. Senator Stevens?

Senator Stevens. Thank you very much, Mr. Chairman.

Mr. Secretary, it is nice to see you. You and I have had some discussions about the budget and its impact on Alaska Natives, in particular.

I am not going to read the whole extent of my comments. If I may, Mr. Chairman, I would just like to put them in the record. They repeat, I think, discussions that Secretary Swimmer and I have had before.

Senator McClure. Those comments will be placed in the record at this point.

[The statement follows:]

Statement of Senator Ted Stevens

As you know, I am deeply concerned about the effect of the budget cuts proposed for the Bureau of Indian Affairs on Alaska Natives. For example, the BIA budget proposes to zero out the following programs in Alaska: agricultural extension, adult education, Indian child welfare, small tribes grants, road maintenance, minerals and mining, water resources, facilities management, ANCSA cemetary and historical site surveys, and native group grants.

Alaska programs slated for elimination or reduction represent a reduction of $12 million in the BIA's budget. It is significant to note, however, that the $12 million reduced constitutes 35 percent of the Alaska Natives' total adjusted budget for fiscal year 1986. In comparison, the average budget reduction for other area offices was only 4 percent.

Alaska Natives would absorb approximately one-fifth of the BIA's national Indian programs and housing reductions. Moreover, Alaska Natives are targeted in the fiscal year 1987 budget for reduction in several programs in which the administration has requested an increase nationally. These programs include college scholarships, adult education, agriculture extension, social services, and adult vocational training.

Budget reductions will also be experienced by Alaska Natives in other programs which are not specifically targeted for Alaska, including national programs in which services to all tribes will be cut. Alaska reductions amount to about 20 percent of the national reduction.

Additionally, the BIA proposes bill language which would limit the amount of funds which may be appropriated for Alaska Native programs: provided that not to exceed $25,063,000 shall be provided from funds appropriated to the Bureau of Indian Affairs for programs and activities in the State of Alaska. No other State is identified in the BIA budget in this manner.

It appears that the Department of the Interior may be moving through the budget process to limit or terminate the Federal Government's special relationship with Alaska Natives. This concerns me. During my career in Congress I have tried to insure that Alaska Natives are treated comparably with all other American Indian groups.

According to the BIA budget justification, Alaska Natives no longer require the levels of financial support provided in the past because of the implementation of the Alaska Native Claims Settlement Act [ANCSA], the assumption by Alaska of greater responsibility for education and welfare programs, and the absence of treaty rights to be protected.

Contrary to the statements in the justification, ANCSA has not solved the economic problems of Alaska Natives. To date, many village corporations have yet to declare a profit. Moreover, dividends from regional corporations are often paid infrequently and most often are of little monetary value.

Nor will the $12 million in budget cuts be offset by Alaska State funds. Programs proposed for reduction are of a fundamentally different nature than those that can be assimilated into Alaska's education or public assistance programs.

Turning next to ANCSA and the Federal Government's obligations thereunder, you should note that the Federal Government's authority to provide benefits and programs to Alaska Natives has never depended on the status of native lands. Reservations were opposed in Alaska. Thus, the relevant question here is whether ANCSA terminated Federal authority to provided BIA programs to those natives.

To ask the question is to answer it. ANCSA is first of all native lands claims legislation; it does not purport to affect BIA programs. Nor does the ANCSA mandate termination of any Federal services. Furthermore, subsequent Federal native legislation has included Alaska Natives within its scope. Finally, it is well settled that if the Federal Government is going to terminate its relationship with native Americans, it must do so clearly for the termination to be effective. It is clear that ANCSA itself does not terminate any relationship with respect to BIA programs and services.

ALASKA REDUCTIONS

Senator STEVENS. Mr. Secretary, I am still concerned about proposals to reduce or terminate BIA programs in Alaska.

Have you had the Department's justifications for this budget reviewed by your Solicitors to determine whether there is statutory or regulatory authority for the proposals to reduce program support for Alaska Natives in an amount greater than the reductions incurred by all other American Indians?

Mr. SWIMMER. I have not asked for specific legal review. I believe the budget items in general have been looked at by the Solicitor, and I don't believe that he raised any concerns about the legal effect of the reductions in Alaska.

Senator STEVENS. As I point out in my statement, there is a proviso in this bill that says, "provided that, not to exceed $25,063,000 shall be provided from funds appropriated to the Bureau of Indian Affairs for programs and activities in the State of Alaska."

Why does the Department seek special language that would apply only to my State with regard to BIA programs? No similar language exists for any other State that has native Americans.

Mr. SWIMMER. I can't answer that.

Senator STEVENS. As I understand it, this language would amend existing statutory law or regulatory authority to limit the entitlement of Alaska Natives to BIA programs.

Mr. SWIMMER. I think that is just clarifying language and not meant to limit an entitlement. The Alaska Natives would be entitled to whatever is provided in any authorizing statute, and funds would have to be provided.

I don't believe it is meant to be a legal limitation on the amount of money that forever could go to Alaska under the BIA program.

Senator STEVENS. Well, there are some funds that are discretionary. And this would be an absolute ceiling on moneys that would be expended by BIA on Alaska to meet Alaska Native needs.

Mr. SWIMMER. I'm sorry, Senator, I missed the question.

Senator STEVENS. I said, this would be an absolute ceiling on the moneys that could be spent from the BIA funds to meet Alaska Native needs. I know of no similar ceiling on either a private basis or a State basis that would apply to any other people, American Native or Indian people.

Mr. SWIMMER. That's true. It is my understand that that is written that way in order to protect the Bureau from potential suits arising similar to what has happened in some cases in the past where it was considered that funding was reduced or not available for spending.

Senator STEVENS. Well, I understand the background of that. We did agree that there should be a transition period for the State. But that was intended for specific programs in the past.

This is general language that would limit all entitlements. I take it it would mean that if you reached that ceiling, then individual Alaska Natives who might be eligible for various programs could just be told, We are sorry, Alaska Natives have exhausted their allocation.

I question seriously that. This reduction constitutes 35 percent of the total adjusted budget for 1986 for Alaska Natives. That is a reduction. The average reduction in other area offices was only 4 percent.

Now, as I indicated to you when we had a personal meeting, there appears to have been a philosophical change in the manner in which the BIA views its trust responsibility to Alaska Natives, or have I been misinformed?

One of the justifications given in the budget is that the State of Alaska appears willing to take over some of the programs that are scheduled for reduction or termination.

Has the State of Alaska indicated to the Department, any willingness to accept these responsibilities from the BIA?

Mr. SWIMMER. I do not have any concurrence from the State of Alaska on that.

Senator STEVENS. I'm not being facetious. I don't know if they have or not. If some entity told you something they haven't told me, I would like to know it.

Mr. SWIMMER. No one in the State has made a direct statement that they would be willing to take over. We believe that there are some areas that the State is furnishing services to its citizens in general, that, in fact, would be available and are available to native citizens in that area that might not be available in the lower 48.

The trust fund distributions is one area. Some of the benefits that they are getting at the colleges, and agricultural support programs, although some of those are available in the lower 48.

In some of the education programs we are making assumptions that some adult education programs will be available to natives that are already available through the State of Alaska.

But there has not been a direct commitment from the State to us that they would assume these programs already funded that we believe are already being offered to the native people in Alaska.

Senator Stevens. The BIA budget recommends an increase in funding for areas outside of Alaska for college scholarships, adult education, agriculture extension, social services, and adult vocational training. However, none of those requested increases will apply in Alaska. It appears to be the Department's judgment that Alaska Natives not only cannot participate in the requested increase nationally, but they are targeted for reductions below the 1986 level.

I can understand why the BIA might require that any person who is an Alaska Indian who receives assistance from the State in a particular category may not receive assistance from the BIA for the same function. There is a possibility that State programs may be able to slowly take over some of the services provided by the BIA. I see no problem with that.

But, to have an automatic reduction for BIA programs in Alaska to which other areas of the country are not going to be subjected seems to me to be a strange conclusion.

Was there any analysis of the economic and social needs of the Alaska Natives that led to this proposed reduction?

OMB ANALYSIS OF ALASKA PROGRAMS

Mr. Swimmer. There was not much of an analysis of present economic conditions in the State of Alaska for the needy citizens.

There was an analysis done for us by the Office of Management and Budget [OMB], that indicates that targeted programs for native Americans going to the State of Alaska are now almost double what they are in the lower 48. Now that is for the total Federal budget, not just the Bureau of Indian Affairs.

When you consider the programs of all the agencies within the Government that have targeted programs for natives, that Alaska is receiving a greater amount, in fact, than they are in the lower 48.

There is a substantial reduction, however in BIA.

Senator Stevens. I haven't seen any such study. I would be interested in receiving a copy of it.

I will ask my staff to obtain a copy of this study by the OMB.

Mr. Swimmer. I will be happy to furnish it.

Senator Stevens. In the BIA area?

Mr. Swimmer. No; total Governmentwide spending. This is not just BIA. That would be Department of Labor, Housing, Health and Human Services, and a lot of it I am sure is in Health and Human

Services and the Department of Education, special education programs that are funded by the Department of Education for Indians.

Senator McClure. Mr. Secretary, I wonder if you could provide a copy of that to Senator Stevens, and also one to the committee.

Mr. Swimmer. Certainly.

[The information follows:]

FEDERAL FUNDING FOR ALASKA NATIVES

Attachment A provides an agency-by-agency program-by-program breakdown of Federal funding (budget authority) provided to Alaska Natives because of their special status as Natives. The amounts shown do not include funds which Natives receive as citizens of the United States (for example, AFDC, food stamps). Attachment B further breaks down funding (by activity and subactivity) for Bureau of Indian Affairs programs in Alaska.

As indicated in attachment A, funding for special programs serving Alaska Natives was $268.1 million in fiscal year 1985 and is estimated to be $264.9 million in fiscal year 1986. These amounts represent 10 to 11 percent of the total funding appropriated for these special programs to serve all Indians and Alaska Natives. Yet less than 5 percent of the 1.4 million native Americans identified by the 1980 U.S. census were Alaska Natives. This suggest that per-capita special Federal funding for Alaska Natives is more than double special funding for Indians in the lower 48 States.

BIA spending in Alaska represents only 16 percent and 13 percent of total special Federal funding for Alaska Natives in 1985 and 1986, respectively. The fiscal year 1987 budget proposal to reduce BIA spending in Alaska by $9.9 million (net result of $12.4 million program reduction and $2.5 million increase for cadastral survey) represents a reduction from the fiscal year 1986 total Federal funding level of only 3.7 percent.

No other fiscal year 1987 budget proposal related to Indian programs Government-wide would disproportionately affect Alaska Natives.

ATTACHMENT A

FEDERAL FUNDING FOR PROGRAMS THAT BENEFIT ALASKA NATIVES BECAUSE OF THEIR STATUS AS NATIVES

Agency and program	1985 actual	1986 estimate
Education:		
Impact aid	$40,600,000	$39,300,000
Title IV supplemental assistance	7,500,000	6,600,000
Disadvantaged education	1,000,000	1,000,000
Bilingual education	1,000,000	1,000,000
Vocational education	200,000	300,000
Library Act	100,000	100,000
Total	50,400,000	48,300,000
Health and Human Services:		
Indian Health Service	117,000,000	115,000,000
Administration for Native Americans	1,400,000	1,300,000
Total	118,400,000	116,300,000
Housing and Urban Development:		
Housing development (new unit construction)	53,600,000	51,300,000
Rental unit subsidies	4,700,000	5,000,000
Owned unit subsidies	2,000,000	2,100,000
Modernization	3,800,000	2,000,000
Total	64,100,000	60,300,000

ATTACHMENT A—Continued

FEDERAL FUNDING FOR PROGRAMS THAT BENEFIT ALASKA NATIVES BECAUSE OF THEIR STATUS AS NATIVES—Continued

Agency and program	1985 actual	1986 estimate
Interior: BIA (all programs)	$46,600,000	[1] $33,500,000
Labor:		
Job training	2,500,000	1,900,000
Summer youth employment	1,300,000	1,300,000
Total	3,800,000	3,200,000
Transportation: Federal Highway I.F	2,800,000	3,300,000
Grand total	288,100,000	264,900,000

[1] This estimate does not include Johnson O'Malley funding, which would raise the funding level to over $40 million.

ATTACHMENT B.—*Bureau of Indian Affairs Alaska programs fiscal year 1986 funding breakdown*

Activity and program	*1986 estimate*
Education:	
Scholarships	$2,663,000
Adult education	312,000
Contract support	668,000
Other	429,000
Total	4,072,000
Indian services:	
Aid to tribal governments	1,787,000
Self-determination grants	2,455,000
Small tribe management grants	679,000
Training/technical assistance	1,350,000
Social services	1,330,000
Indian child welfare grants	835,000
Contract support	505,000
Total	8,941,000
Economic development/employment:	
Adult vocational training	2,233,000
Employment assistance	793,000
Loan program administration	392,000
Road maintenance	150,000
Contract support	730,000
Total	4,298,000
Natural resource development:	
Forestry	950,000
Agriculture	674,000
Water resources	41,000
Wildlife management	453,000
Minerals and mining	70,000
Contract support	231,000
Other	256,000
Total	2,675,000

ATTACHMENT B.—*Bureau of Indian Affairs Alaska programs fiscal year 1986 funding breakdown*—Continued

Activity and program	*1986 estimate*
Trust responsibilities:	
Environmental assessments	$78,000
Real estate service	1,689,000
AMILCA programs	1,782,000
AMCSA cemetary surveys	1,568,000
Financial trust services	30,000
Contract support	238,000
Other	938,000
Total	6,373,000
Facilities O&M	1,248,000
Housing:	
MIP	2,800,000
Contract support	604,000
Total	3,404,000
General administration:	
Executive direction	651,000
Administrative services	1,908,000
Total	2,559,000
Total	33,530,000

CONSULTATION ON ALASKA REDUCTION

Senator STEVENS. I'd be interested in seeing it. I don't question in many areas of the State of Alaska it costs two, three, four times the amount it might cost in Tennessee to provide the same program. We have had some increase in funding levels because of our remote location. But, in terms of the number of people involved, these increases are practically de minimis when compared to the total Federal budget. There just isn't that much demand in our State for those kinds of services.

I would be interested in seeing that this total for Governmentwide spending.

Did the Department discuss these proposed reductions and program terminations with the Alaska Native people affected before proposing the changes?

Mr. SWIMMER. Not on the statewide basis. Only through efforts of the local area office and the agencies. But, I don't believe there was any major communication effort with the native groups in Alaska.

Senator STEVENS. I was very interested in your budget justifications for the tribe/agency operations category. You state that funding for tribal/agency operations would enhance Indian self-determination and tribal self-government. You propose to put almost one-third of the total BIA budget under the direct control of the native people themselves. Yet in Alaska, you propose a reduction of $6.336 million in the "Tribal/agency operations" account. This represents a 30-percent reduction in the total funds available to Alaska Natives under this activity.

There is a proposed reduction under this account, tribal/agency operations. But, there is no comparable increase in moneys available to the individual native groups that were to take over these functions to enhance self-determination and provide more control for the local villages and tribes involved.

Could you tell me, is this something that dropped between the chairs? The way I understand it the Juneau area office proposed a reorganization of its personnel and related personnel activities in Alaska. The idea was to save administrative costs of the BIA. This money was then to be made available, at least a substantial portion of it, to the individual villages.

What happened?

Mr. SWIMMER. There is, in fact, a reduction in the tribe/agency programs that is a net reduction, and it would make it difficult for some of the tribes to perform those contracts.

In addition to that, separately from the budget formulation process, the area director in Alaska has been working to provide a more efficient organization. There would be some savings involved in the reorganization of that office. Those savings are not intended—at least in total—and, in fact, they weren't even considered at the time the budget was being developed. They are not intended to be reductions, but they are intended to be used for reprogramming at the tribal level to help with the contracts. But, those were two separate operations and one was not intended to offset the other.

There is, in fact, a net reduction of the tribe/agency, which are most of the contracted programs.

Senator STEVENS. I'm led to believe by the Alaska Native leaders that they have been caught unaware. They tell me that they approved the concept that was relayed to them by the area director. I can see why they would. It would enhance their involvement in these various programs and give them more direct control of the tribe.

But, after they agreed to this reorganization, funding was totally cut out. Now there is no additional money flowing to them to carry out the programs over which they will be given control.

Is that a fair statement?

Mr. SWIMMER. There still would be some more money. The reduction in the budget for tribe/agency programs does create a shortfall in those particular program areas.

The reorganization efforts that are going on, would create an additional sum of money. Certainly not equal to what has been proposed as reduction. But, there would be some savings to the area office that could be furnished to the tribes and the native groups up there in contracts at the tribe/agency level.

ELIGIBILITY OF ALASKA NATIVES FOR FEDERAL SERVICES

Senator STEVENS. There seems to be a feeling that because of the Alaska Native Land Claim Settlement Act, which was intended by Congress to settle land claims and to establish corporations to manage the assets that were the subject of those claims, individual Alaska Natives are no longer eligible for special Federal assistance. I also sense a feeling that the Federal Government no longer has a special relationship with Alaska Natives.

Now the Land Claim Settlement Act, as I point out in my statement, was just that. It was a land settlement, as specifically stated. It was not a termination act. It had nothing to do with termination of either the special relationship or of the Federal programs that were in existence then. In fact, since that time every act passed by Congress that dealt with modifications of laws which applied nationally, specifically referred to Alaska Natives.

Now the Department seems to have taken a position that because of the Land Claim Settlement Act Alaska Natives are no longer entitled to Federal assistance. Incidentally, very few of these people have received any dividends or any cash payment from the settlement. They are still trying to make that work in the manner intended by Congress. But, the Department seems to believe that they ought to live off proceeds from the land settlement for a while.

Is that the philosophy here?

Mr. SWIMMER. I think the belief was on two bases. One was that there are no particular treaty rights afforded to native groups in Alaska because they did not enter into the same kinds of treaties that were entered into in the lower 48. The tribes, in fact, have specific contractual rights upon entering when the Union was formed.

And there are different varieties of tribal groups in Alaska. Some, in fact, are IRA tribes and are entitled to certain specific benefits or entitlements under that particular 1934 act.

Others, of course, are those that were created by the regional corporations, village corporations, and then various associations of native people from Alaska.

Our relationship with those people is generally based on specific statute and you are very correct in saying that the statutes that generally deal with Indians almost invariably include Alaska Natives. And to the extent possible, those particular statutes, of course, need to be funded and services provided based on those particular acts of Congress.

What we are attempting to do is to provide funding—certainly it is not full funding—for all of the needs of the natives of Alaska or the lower 48.

Dealing with constraints of the budget generally, we are looking at the services going to natives in Alaska based on those acts of Congress, particular statutes where they provide the entitlement to Alaska Natives, and trying to then fulfill the responsibilities, recognizing that there are some problems with tribes as sovereigns, or not as sovereigns in Alaska.

This is an issue that without having a treaty base, and having certain sovereign rights, in some cases we simply aren't able or don't believe we should be, making self-determination grants or things that are based on treaties in the lower 48. We would not be funding tribes or tribal organizations in Alaska, because they are not considered to be sovereign tribes, under the 1934 act, or recognized by various acts of Congress.

Senator STEVENS. Well that is a substantial departmental change in philosophy. When I served the BIA, which was a considerable period of time before statehood, the relationship of the United States to Alaska Natives was considered to be a model relationship because of the fact that the Alaska Natives had agreed not to demand reservations.

Actually, they did demand reservations once, but were talked out of it by the Department of the Interior. They did demand sovereign status, and were also talked out of that by the Department of the Interior.

Soon after the United States acquired Alaska from Russia—I don't know whether you remember your history or not—there were wars up there. At that time the United States took on a special relationship with the Alaska Natives. This was accomplished without the need for treaties. These indigent aboriginal Americans had claims against the United States. We finally settled those claims 100 and some odd years later.

But, now the Department is saying that because the Alaska Natives do not have any treaties or, because they do not reside on reservations, or because they do not have IRA villages, they no longer are eligible for general programs that had been provided to them for over 100 years.

Mr. SWIMMER. I was saying that they are, in fact, eligible for those general programs wherever the Alaska Natives are in the statutes, and those are the ones that we recognize in the funding to the extent we can. But that the basis on which they are recognized is through acts of Congress. And those tribes that are, of course, organized under the——

Senator STEVENS. But there was not an express recognition of Alaska Natives per se in acts passed by Congress prior to statehood, or in acts passed by Congress prior basically to my coming to the Senate. You should consider that.

In an overabundance of caution we made sure the recent statutes covered Alaska Natives. Now you are telling us the overabundance of caution means they are exclusionary. Where Alaska Natives are not mentioned, you are not going to fund them?

This is going further, as I told you in our private conversation, than you realize. It is certainly going to be quite a shock to the people who live out in little villages, where their grandfathers agreed with one of the Secretaries of the Interior in the past, that they would not demand reservation status as they wanted.

We now have a tremendous group in Alaska that is demanding just what you are mandating: sovereignty. They want a treaty. They are going to the United Nations. One group has established its own nation.

Is that the direction the Department wants? It sounds to me like if we accede to their demand they would be then eligible for Federal assistance. Is that right?

Mr. SWIMMER. I'm not advocating that position for the Department, Senator.

Senator STEVENS. It sounds like it, because you are saying you are going to deny any assistance to those people who aren't under either treaty or reservation status or have special recognition by Congress.

Mr. SWIMMER. I guess that position would be true.

Senator STEVENS. What has happened to the special relationship of the Federal Government to the Alaska Natives. There was no statute then that governed this special relationship in the past. But through all this period. assistance was provided. Taking just this year alone, 1986, over 35 percent of the program that you want to cut out was funded last year. And that was done at the request of this administration? What was the basis for that request?

Mr. SWIMMER. Everything that is funded is, in fact, based on provisions in an act of Congress and it is authorized that it be funded.

Senator STEVENS. What was your authority last year, Mr. Secretary?

Mr. SWIMMER. It was the same statutory authority we are using this year. We are reducing the funding but we are not just terminating the funding in Alaska.

Senator STEVENS. But on what basis do you ask for an increase in the rest of the country and a decrease only in my State?

Mr. SWIMMER. As I said, the belief is or was, that the conditions in Alaska would warrant a reduction of funding for special Indian programs, programs to natives in the State of Alaska. That belief was arrived at quite some time ago.

We certainly didn't anticipate the oil situation, what economic problems might be in Alaska now.

Senator STEVENS. This is entirely apart from those economic problems. I don't think my feelings would be affected at all by the financial situation in the State of Alaska at all. It is a question of right.

There has always been a special relationship between the Federal Government and American Indians and Alaska Natives. We have not had, under most programs, to specify that tribes are entities that must be specifically included. This is one of the fundamental precepts of Indian law.

It now appears that the Department is playing right into the hands of the people who are raising the sovereignty issue. These people are saying, unless the Federal Government recognizes their sovereignty, they are not going to have a special relationship with the Federal Government. You have just confirmed that as a fact.

Mr. SWIMMER. I didn't intend to do that.

Senator STEVENS. I hope not. Again, I urge you as soon as possible to make a trip to Alaska with your assistants and look at the problems we are dealing with. Notwithstanding the current price of oil, Alaskans are paying $2, $3, and $4 a gallon for oil. We are looking at a transportation infrastructure that is falling apart because of deregulation.

Another great problem we are facing concerns the Postal Service, its relationship to Alaska villages, and how much longer will there be a quote or subsidy to fly supplies out to them and to deliver things other than mail through the Postal Service.

I think that unless someone down here gets an idea of what we are dealing with, there is going to be a point where we have real difficulties.

I happen to believe that there is existing authority, for a Federal obligation to Alaska Natives, and always has been such authority. I would urge you to go back and check the archives in terms of the agreements that were made at the time of statehood.

I understand that BIA programs use the Snyder Act for authority, and there is no mention of the Alaska Natives in that act at all. Most statutes do not mention it. As I said, since I have been here, in an overabundance of caution we made certain that they be mentioned.

Alaska has only been a State a little over 27 years. The transition is still going on in some people's minds. Nevertheless, I believe there is going to be serious harm to the relationship of the Federal Government and the State and local governments to these native people unless there is some real understanding of the problems these people face. They are not to be singled out for reductions.

The total reduction that is to be taken by the Alaska Native people, which comprise about 70,000 people, is 20 percent of the total national reduction in BIA. One-fifth has come from about one-hundredth of the population.

I think that is patently unfair. And unless there is some understanding about it, I can tell you that this is enough to make me get on my high horse—I am not up there yet, but I am going to get up there soon.

I spent 5 years of my life at the BIA where you are. Before that, I spent time in the State of Alaska studying its problems. And I spent time after that in the State legislature studying the problems. And I have been here in the Senate for almost 19 years. I don't want to toot my own horn too loudly, but I don't think there is anybody that has lived through what I have lived through in terms of this transition of these native people and seen the improvement brought about by the direction we were heading in before.

This abrupt reversal of relationship of the Federal Government to the Alaska Natives raises the spectre of termination without consent. It violates the whole concept of self-determination and it runs in the face of the actual needs of the people involved.

Again, if the budget reductions were targeted to people in urban areas who have become so self-sufficient that they no longer needed assistance, and we decided to cut their aid and marshal it out to the villages where an increasing need is apparent, I don't think that there would be any complaints, even from the Alaska Natives themselves.

But, to face a cut of this magnitude in one State with the small population and the tremendous problems it has, this is grossly unfair.

Mr. Chairman, there are some questions here that I would like to have asked. I have asked too many already. They have been prepared in a statement by our respective staffs. They are very specific. I note they are the kind that could be properly responded to in writing.

Senator McClure. They will be submitted for response in writing.

Senator Stevens. I want you to know, Mr. Secretary, that both you and I are going to be around. I want to find some way to expose you and your staff to the problems the Alaska Natives face. I would like you to come to Alaska in the summertime, and then I want you to come back in the wintertime.

You really don't understand that area until you go there in the wintertime. And I will tell you, if you ever go in the wintertime, they will never forget you either. [Laughter.]

Thank you, Mr. Chairman.

DELAYS IN THE ALLOTMENT OF FUNDS

Senator McClure. Senator Cochran?

Senator Cochran. Mr. Chairman, I just wanted to come by and welcome Mr. Swimmer to our hearing and let him know of my interest in the activities and the well-being of the Mississippi-Choctaw Tribe.

I know as an Oklahoman you are well acquainted with the Choctaws and others from my part of the country.

We have some questions which I am going to submit for the record. Specifically, one difficulty that I wanted to bring to your attention, if it hasn't been brought to your attention already, is the delay in getting notice of allotments. This has presented a problem in planning for operation of tribal activities.

I hope that we can improve on that performance this year so that those who are in positions of responsibility will be able to make plans based on facts rather than supposition, and let them know a little bit better about how much they will be able to receive from the Bureau of Indian Affairs.

I know you are running into some difficulty when the appropriations process is so bogged down as it tends to be. We are working to try to improve on that.

Do you have any reaction to that or any hope that you can give us that I can pass on to my friends back in my State?

Mr. Swimmer. I guess an advantage of being a new kid on the block is that I can pass the buck. I think that has been done about every year with every new kid.

So, it is my responsibility and I accept it. I believe we can do a better job next year. We will have to wait and see.

Senator Cochran. We appreciate your leadership in helping solve that problem for us.

I have a couple of other questions, Mr. Chairman, which we will be happy to submit for the record.

I thank you.

Senator McClure. They and their responses will be made a part of the record when received.

SCHOOL OPERATIONS

Thank you, Senator Cochran.

I have a few more questions on the public and the Indian schools.

Do you anticipate that an education plan for the Bureau schools would assess enrollment trends and more efficient usage of the physical plant?

Mr. SWIMMER. Yes; we do. That is one of the primary objectives of the plan.

Senator MCCLURE. Mr. Swimmer, on occasion you have remarked that the Bureau should provide schools in areas where Indian children are discriminated against. Is that correct?

Mr. SWIMMER. That could be considered a criteria. I wouldn't say that it is going to be a particularly overriding criteria. I think there are other things that have to be looked at.

I have been concerned about some discrimination going on in local school districts. Yes.

Senator MCCLURE. How would a determination of discrimination be made?

Mr. SWIMMER. I think essentially you would have to use as much objective information as one could obtain. Basically, things like low test scores, failures, dropouts, lack of representation on the governing bodies, lack of faculty depending on the size of the student population. But, there are plenty of objective factors that could be used to determine whether the Indian students were being given consideration in the particular schools.

Senator MCCLURE. Do you see a difference in alleged discrimination by Anglos as opposed to discrimination by members of one Indian tribe against members of a different tribe?

Mr. SWIMMER. I don't know the rate of either one, but acknowledge that there very well could be discrimination in both cases.

Senator MCCLURE. You have the difficulty of determining in either case whether discrimination is affecting those students.

Mr. SWIMMER. Well certainly there would be a difficulty in either case to determine that. You would again have to refer to the criteria to determine if it is happening.

Senator MCCLURE. At a number of day schools on the Navajo Reservation which have both day and boarding students, there is significant excess capacity for boarding students living within a 10-mile radius of the school. Should the option of boarding be left to the determination of the parents in instances such as this, or should more stringent requirements be met prior to allowing a student to board?

Mr. SWIMMER. It has been Bureau policy to allow parents the choice of sending their children to boarding or day schools. However, this is one of the issues which will be addressed in the comprehensive education plan and will be considered in the implementation of the dormitory standards.

Senator MCCLURE. As you know, agreement was reached with the State of Alaska to assume control of Bureau schools over a 3-year period, and other Bureau schools have been transferring to public school districts on an ad hoc basis. Will your work involve local public schools and State education agencies to determine their plans for the education of Indian children within their jurisdiction?

Mr. SWIMMER. Yes; I want the Bureau to be involved in the education of all Indian children, whether in public, private, or BIA schools. It is my intention to meet with chief State school officers, especially in States with a large Indian population, and work with them to assure an appropriate education for the Indian children.

Senator McClure. What will be the focus with respect to the quality of education provided in Bureau schools?

Mr. Swimmer. We hope to provide an education for Indian students that is competency-based, giving them the knowledge, skills, self-esteem, and confidence necessary to be personally and economically successful.

Senator McClure. What is the status of proposed regulations with respect to new school starts?

Mr. Swimmer. I have signed the proposed regulations, and they are in the departmental/OMB clearance process.

Senator McClure. What criteria have been established for new schools?

Mr. Swimmer. Mr. Chairman, I would prefer to delay responding to that question until the proposed regulations have been through the departmental and OMB clearance process.

TRIBAL COURT TRAINING

Senator McClure. There are 128 tribal courts. The budget proposes to train 1,200 court personnel next year, of which 800 are judges.

Does the average tribal court really have six judges?

Mr. Swimmer. No, sir.

Senator McClure. Can you explain that number?

Mr. Swimmer. The training is not a one-course operation. The training is periodic and it would be anticipated. I believe our average court membership in some cases two or as many as three judges could be assigned. But I believe it is usually two.

We anticipate there will be multiple training through the year. So one of these 1,200 could actually be one judge going to three sessions of training, and it would be counted as three training sessions.

But that is not intended to be 1,200 people. That would be 1,200 training impacts.

Senator McClure. There have been reports that some tribal courts do not allow the defendant to be represented by legal counsel.

Is that correct?

Mr. Swimmer. We have had some very serious problems in that regard, where we have had difficulty with both our CFR courts on reservation and tribal courts that have refused to allow an attorney to be present.

Senator McClure. Once a tribe decides to have its own judicial system, what type of supervisory role does the Bureau play?

Mr. Swimmer. Tribal courts are created in accordance with the inherent powers of a particular tribe and should act as an independent branch of the tribal government. Tribal courts must be autonomous and independent from interference by the Federal Government and other exterior powers. The Bureau recognizes the importance of independent judiciaries. For this reason, the Bureau must refrain from the arbitrary establishment of supervisory controls over tribal courts. This, however, does not relieve the Bureau of its responsibility to monitor tribal court operations, which are contracted by the tribes pursuant to Public Law 93–638.

Senator McCLURE. Has the Bureau received complaints from any tribal members concerning the operation of tribal courts? If so, what has been the Bureau's response?

Mr. SWIMMER. The Bureau has received a limited number of complaints concerning the operation of tribal courts. The complaints are generally limited to a few, less than five, identified tribal courts. It has been the position of the Bureau to encourage the resolution of such complaints within the tribal system. Under Public Law 93–638 the Bureau maintains a contractual relationship with many Indian tribes to provide funding for judicial services. As part of the performance under these contracts the tribe agrees to provide services which comply with the Indian Civil Rights Act. If an individual complains that the tribe is not properly providing judicial services, the Bureau responds by conducting a thorough contract review and evaluation of the court system to identify and recommend needed changes.

Senator McCLURE. If a tribal court is being operated in a manner which does not meet established standards of justice, is there any reason that Federal funding should not be withdrawn?

Mr. SWIMMER. Then we simply create sort of a lawlessness out there.

I guess I would have to defer in most cases to the tribal government. If that is the kind of justice they prefer, the individual citizens on the reservation have a way to address that either through the electoral process or through the Indian Civil Rights Act in that particular court.

But, I think just withdrawing the funding and leaving them without access to a justice system of some kind would be a mistake.

We would certainly go in, though, and offer assistance in whatever we can do without interfering in the sovereign right of the tribe to run its courts.

We have the same situation, as I am sure you are aware, in the State criminal justice system, where sometimes the courts can be a little unreasonable.

Senator McCLURE. We do run into a conflict here, because under some treaty provisions most of these tribal courts are under some kind of a distinction of sovereignty in which they have rights to run their own affairs as they see fit, not as we see fit.

But there is, oftentimes, first a relatively clear distinction of constitutional right. And there is a conflict between constitutional right and the treaty obligations.

There can also be a less than constitutional right that is embedded deeply in our concept of a justice system, or a system of justice that guarantees individual rights.

If I understand your answer correctly, it is something we would be concerned with; we would counsel with them; and if we didn't get to the point of constitutional application, the application of an absolute constitutional right, we would have some tolerance for the difference of opinion as to what it ought to be.

Mr. SWIMMER. Yes, sir.

Senator MCCLURE. Now we get up to the next level of constitutional right. What do we do there, punt?

Mr. SWIMMER. I think it is important that we work either within the Federal system or with their tribal government to make sure that there is an appropriate body for appeal of the constitutional right.

But we are limited. I can't think of the instance where we could not assure that constitutional issue being handled. But we would be limited by the right of the tribe to operate as it sees fit.

CONTRACT SUPPORT FUNDS

Senator MCCLURE. There are other places where we do run into conflict, such as religious practices, as an example. And I assume we have the same conflict and the same dilemma with respect to individual liberty questions not associated with expression of this.

Secretary Swimmer, the decision to merge the contract support funds for existing contracts with the programs funds was to stop the uncontrolled growth of expenditures in this area. There was to be no separate line items for contract support—all funds were to come from within the amounts available in the program accounts with the sole exception of new contracts.

There is a long history to this, and appropriate Bureau staff cannot be unaware of congressional intent.

According to the justification, $1.2 million of 1985 funds, and an additional $818,000 of 1987 funds will be used to correct errors and omissions made in fiscal year 1985 in grandfathering contract support funds. What was to be grandfathered was the the actual amount of the contract support appropriation, which was accomplished. There was never any intent to grandfather amounts which were unavailable.

Are any 1986 funds being used for this purpose?

Mr. SWIMMER. It is my understanding that some of the 1986 funds are being used to fund contract support for new programs in 1985.

Senator MCCLURE. New programs or new contracts?

Mr. SWIMMER. New contracts. New contracts that were established in 1985, because there was a shortfall.

Senator MCCLURE. My understanding was—and I will ask this question again, because I want to be very certain about this:

Are you using 1986 funds for 1985 contracts?

Mr. SWIMMER. Yes, sir.

Senator MCCLURE. I think there is a clear history that indicates that that is not congressional intent.

I want to quote from the last year's justification, and this is a quote from the Department's justification.

> These funds will not be available for indirect costs associated with expanded direct program funds applied to existing contracts, but only to those contracts which involve totally new functions being taken over by the tribes in fiscal year 1986.

Now you are telling me you are using those funds for support of 1985 contracts?

Mr. SWIMMER. It is my understanding that the grandfathering in process was for pre-1985 programs. According to my budget person here, we are using 1986 funds for new programs contracted in 1985.

Senator MCCLURE. But they are 1985 contracts, and this said you won't do that. That was your justification last year.

I would advise you to review what you said to us last year and then review that in light of what you are now doing, which seems to me to be inconsistent.

Mr. STANGL. One of the problems we have in getting the money from the line item for contract support to the actual programs where the contracts exist, is the timing of when we know that a contract went into place.

At the time we requested the 1986 funding we did not know all of the 1985 contracts. So what was grandfathered in would only be pre-1985 contracts—those that were in place in 1984, which we extended into 1985.

Brand new contracts that came into place for the first time in 1985, were not grandfathered into the programs. Therefore, the amount of funds that we have for the contract support, the separate line item under self-determination services, in 1986 has to be available for both new 1985 and new 1986 contracts.

Senator MCCLURE. As I look at your 1987 justification, page 95, the table there shows $818,000 in continuing pre-1985 contracts.

Mr. STANGL. There were some errors in the grandfathering process. They were overlooked.

One of the problems that came up was the data that was used to move the money out of the line item called contract support to the programs was collected about July 1984. There were additional contracts that went into place after that.

Senator MCCLURE. I understand that. But based upon what we were told we put the money into the programs, because that's where you said you would pay for it.

Now you are trying to say, no, we had errors, we will pay for it through the contract support, not through the program amounts.

Mr. STANGL. The intent of our request is to move that amount of money out of the contract support line item into the programs to bring everybody up at the same level——

Senator MCCLURE. It was. It isn't the intention to do that. We did that.

Mr. STANGL. But only for some contracts, not all of them.

Senator MCCLURE. No; that wasn't for some contracts.

Your intention and our intention were very clear.

Now if that is not correct, point me to the record.

Mr. STANGL. The choice the Bureau had is basically this: Either go back and selectively correct the oversights, which is what we are proposing in 1987; or go back and withdraw money from those contractors that did get their contract support transferred over to the programs in order to pay for the contract support for those that did not.

The Bureau chose not to go back to disrupt the other contracts.

Senator McClure. But we transferred them all. That was already anticipated.

Mr. Stangl. All that we knew about, yes.

Senator McClure. But what you are trying to do is pay for your errors out of a different fund, when we said—you and this committee and the Congress—said the whole thing was being transferred over. And now you are saying because we made an error, we want to ignore that.

Mr. Swimmer. They apparently made a mistake in identifying all of the pre-1985 contracts. It is our proposal in 1987 to make that up.

Senator McClure. Would you review the record and give us a separate justification on this action?

Mr. Swimmer. Sure.

Senator McClure. Not only for the 1987 budget, but I think you also would need to look at what you did during the 1986 fiscal year as well, in light of the action that was taken last year.

Mr. Swimmer. Yes.

[The information follows:]

Treatment of Contract Support Transfer to Programs

The contract support program was addressed in directives of the Appropriations Committees in their reports on the fiscal year 1983 and 1984 appropriations bill. The conference report for fiscal year 1983 appropriations stated, "Beginning with the fiscal year 1985 budget submission, contract support funds [CSF] shall be allocated to program accounts with only funds required for new contracts included in the contract support line item." This directive was issued because the committee felt that the continued use of indirect cost rates to project and request CSF for continuing contracts was resulting in CSF funding requests becoming disproportionately high as compared to actual increases in contracting activity.

The Bureau commenced compliance with these congressional directives in fiscal year 1985 utilizing a grandfathering in process for continuing contracts. Fiscal year 1985 was the beginning year for the new system. The grandfathering in process used by the Bureau to implement the new procedure required by the Congress was adopted by the Bureau only after extensive consultation with representative tribal leaders and staff of the Bureau, Department, OMB, and the concerned congressional committees. An essential element in these discussions was the recognized requirement that all tribal contractors be treated fairly and equitably under the process. Assurances were given to tribal leaders on behalf of the Bureau and the Department that all contractors would be treated fairly and equitably. The grandfathering in CSF amount, combined with the program funds, constitutes the total base funding level for financing both the direct and indirect costs of each continuing contract. These CSF amounts are established by utilizing the fiscal year 1984 unadjusted indirect cost rates for each contractor. The available CSF appropriation in fiscal year 1985 allowed the Bureau to fund approximately 92.5 percent of continuing contract (pre-fiscal year 1985 starts) indirect costs and less than 5 percent of indirect costs for new contracts (fiscal year 1985 new starts). However, some pre-fiscal year 1985 contracts have also been funded at less than 92.5 percent because of errors and omissions. Thus, despite a sustained and prolnged effort to implement the congressionally mandated procedure of integrating indirect costs with program costs, there have been problems in implementing a fair and equitable distributoin to all contractors.

Our total fiscal year 1987 CSF request of $7,086,000 reflects actual and projected costs using trhe most current data received from field offices. This funding request will allow us to correct errors and omissions for a number of pre-fiscal year 1985 continuing contracts and will provide indirect cost funds for new fiscal year 1985, 1986 and 1987 contracts at the same level as our ongoing contracts. Since, under the new procedure a single base funding amount will be established for both direct and indirect cost for each contract, we believe it is essential that a standard level (percentage) of CSF funding is applied to all contracts to establish actual equity.

USE OF CONTRACT SUPPORT FUNDS

Senator McClure. There is a recent inspector general's report which states that one tribe, which is operated by a business council, gave each member of the business council a $16,000 bonus upon receipt of their contract support funds.

Do you consider this an appropriate use of contract support moneys?

Mr. Swimmer. Certainly not.

Senator McClure. Will any effort be made to recover those funds?

Mr. Swimmer. Yes; I am sure it will be. We don't have a report yet. But, if that is the way it is written out, we certainly——

Senator McClure. I hope they didn't put it in the mail, because something may have happened. We have had it since February.

Doesn't the inspector general talk to you?

Mr. Swimmer. Generally they do.

Senator McClure. Doesn't the inspector general talk to your people? That is rhetorical, and I shouldn't beat you that way.

But, if we have had it since February, I would think you people have it somewhere down in that building.

Mr. Swimmer. We will find the report and check it.

Senator McClure. I believe also, that the record would show that the Bureau was requested in August to make comments, and the Bureau did not respond.

Mr. Swimmer. As I said, I am not familiar with the report. I will try to locate it.

Senator McClure. If you can't find one, the inspector general might. And if he can't, we will give you a copy that he gave us.

Mr. Swimmer. We appreciate that.

Senator McClure. What portion of the 1986 contract support funds has actually been distributed?

Mr. Swimmer. Allotments are now being finalized distributing all of the available contract support funds.

Senator McClure. For the record, please list all new contracts in fiscal year 1985; requests for new contracts in 1986; and estimated new contracts for 1987 by tribe, by amount—separately identifying the contract support funds available; and by activity. Please provide a list of all existing contracts which received 1985 or 1986 contract support funds from the contract support line item, the amount of the contract, the prior amount of CSF, and the reason for the adjustment.

Mr. Swimmer. We will submit for the committee's files, a list of all new contracts in fiscal year 1985 and fiscal year 1986 and the amounts of contract support funds allocated to these contracts, which completely utilizes all available fiscal year 1986 contract support funds appropriations.

We will also submit for the committee's files, a listing of existing pre-1985 contracts which received contract support funds because such contracts were omitted in the initial distribution. No existing pre-1985 contracts have received contract support funds from our fiscal year 1986 line item.

EMERGENCY HAY RELIEF

Senator McCLURE. Language was included with funds provided for emergency hay relief requiring that any funds unspent by March 15 be returned to the Treasury.

Were any funds returned?

Mr. SWIMMER. No; I think it was under $1,000. I think nearly all the money was spent.

Senator McCLURE. According to the justification, the Bureau was to receive weekly reports on the hay program to ensure effective monitoring. Were such weekly reports received?

Mr. SWIMMER. Yes; agency and area offices received weekly reports on Standard Form 269 Financial Status Reports as required by the agreements with the tribes.

Senator McCLURE. Were there any problems with the program?

Mr. SWIMMER. Residents living on or adjacent to several reservations reported incidents of program fraud and abuse. Agency law enforcement personnel have opened case files on reports of program abuse. As of May 1, 1986, none of the case files have been turned over to the Federal Bureau of Investigation for review prior to filing formal charges against any individual.

Senator McCLURE. What is the outlook for range conditions in the Dakotas and Montana this summer?

Mr. SWIMMER. It is my understanding that conditions haven't improved greatly. They are still going to have problems there. It will require closer management of the agricultural resources, better range management, stock reduction programs.

We are working with tribes there in an attempt to get them to take the kinds of actions that need to be taken in order to restrict the amount of grazing.

Senator McCLURE. If conditions do remain poor, will you enforce stock reduction?

Mr. SWIMMER. We will, working with the tribes. We continue to try to work out those problems.

KLAMATH CONSERVATION PROGRAM

Senator McCLURE. The amount of $145,000 is requested for the Klamath Conservation Program. As the Klamaths are not a federally recognized tribe, why is the funding recommended?

Mr. RYAN. There was a U.S. Supreme Court decision that recognized the hunting and fishing rights of the Klamath Tribe had not been terminated by an act of Congress. Therefore, there continues to be an active trust responsibility. In that particular case, $145,000 is made available for a hunting and fishing conservation program to identify baseline data and to work with the State which has jurisdiction, to work with the State in a kind of comanagement sense.

Senator McClure. Does the Bureau provide funds to nonfederally recognized tribes for any other activities?

Mr. Ryan. Not that I am aware of.

Senator McClure. Are there other nonfederally recognized tribes which have retained hunting and fishing rights?

Mr. Swimmer. Very possibly. I'm thinking of some of the groups in the valley with the Hoopa and the Yurok. They are two recognized tribes. There are other individuals there that are claiming some treaty rights. I don't know the extent of it. I think it is very minimal.

Senator McClure. I suspect if you start funding these activities you are going to find more.

Mr. Swimmer. You are probably right.

Senator McClure. Or they will find you.

Mr. Swimmer. I think it is a very narrow definition, a treaty right that existed when this tribe was terminated and remained in existence for the Klamath.

UNITED STATES-CANADA PACIFIC SALMON TREATY

Senator McClure. Turning to the United States-Canada Pacific Salmon Treaty, have the 1986 funds for that treaty been distributed?

Mr. Swimmer. I believe they have. I believe we did get those out.

Senator McClure. We understand one of the western Washington tribes objected to the Commission's receiving all of the funds, rather than distributing the money to individual tribes.

How was that resolved?

Mr. Swimmer. I'm not sure it has been fully resolved. I believe we have a plan worked out. It was again an issue of Public Law 93-638, whether or not tribes had given consent.

I will let Dr. Ryan answer if he has an update on it.

Mr. Ryan. The Hoh Tribe expressed an objection to it. But the other treaty members within the Northwest Indian Fisheries Commission are working their disagreements out.

The concern is the comanagement responsibility be managed by all of the tribes collectively. There are certain economies in doing that type of management in terms of information collected, census and so forth.

Senator McClure. Only one-third of the funds requested for other fish, wildlife, and recreation management are specifically identified. For what will the balance be used?

Mr. Ryan. In addition to other specific items identified, included in this amount is the $177,000 to continue the Fort Hall Fisheries Program specifically identified by the Congress in the fiscal year 1986 budget. The remaining funds will be used to meet the highest priority unmet needs of the Fish, Wildlife, and Recreation Program. We have 40 requests on hand. Those considered of highest priority include: development of the fish and wildlife capability of the Penobscot Tribe of

Maine, in conjunction with the recent Maine land claims settlement; development of an organizational structure, constitution, and bylaws of the Native American Fish and Wildlife Society, to better represent the fish and wildlife interests of inland tribes throughout the country; development of the fish and wildlife capability of the Navajo Tribe; support for fish hatchery operations on the Cherokee Indian Reservation; and support for the Natural Renewable Resources Centers' efforts toward achieving more effective cooperative fisheries management in the Pacific Northwest.

INDIVIDUAL INDIAN MONEY ACCOUNTS

Senator McCLURE. The inspector general has conducted an extensive review of the Bureau's management of individual Indian money [IIM] accounts and has identified numerous problems.

Mr. Secretary, we have received your report of April 21, which outlines action the Bureau proposes to improve trust fund management.

The major concern we have, however, is not what new requirements will be imposed, as the Bureau already has reams of regulations in the manual dealing with IIM accounts, but how you will ensure that individuals dealing with these accounts perform as they should.

It is clear from the inspector general's report that many agencies have ignored existing rules. How do you propose to address that problem?

Mr. SWIMMER. There is no question but what it is more a figure of management than of a system. The rules, regulations, policies, and procedures are there.

Maintaining the system has been a weakness in the past. I suppose the only answer I can give you is that it is a high priority with me to get that particular issue resolved. I have discussed it with area directors who will be working with agency superintendents. We are automating the accounting for those records, and going through a reconciliation process now. We expect to be able to manage those particular accounts much better in the future.

Senator McCLURE. Mr. Secretary, it is an age-old problem and I know that you and I are not going to solve it here today or tomorrow and perhaps not next year. But somewhere in the system there has to be accountability so that people who have failed to meet the requirements of existing statutes and rules and regulations don't simply get told repeatedly, "Now we mean it. Start shaping up."

We say it year after year after year. I don't know how you approach that problem unless you really do adopt a policy that says your performance will be measured, you will be rewarded, or rewards will be withheld on whether or not you comply.

So far there is no penalty at all involved for failure, is there?

Mr. SWIMMER. There can be.

Senator McCLURE. But that would be very unusual circumstances if there were criminal or near-criminal acts.

Mr. SWIMMER. I agree entirely. I think that at least in the past perhaps what has happened is, a commitment to make that kind of change was made and then the Bureau attempted to carry through without having the resources to do it, or at least implementing a system to do it.

We are dealing now with 250,000 individual accounts. Unfortunately we are dealing with those in a hand system without automation. I believe that we have the ability now to move into an automated process, reduce some of the accounts, clean up the records, and move forward.

Senator McClure. Voluntary deposits into IIM accounts are prohibited by regulation lacking a determination of substantial hardship. Yet, hundreds of these accounts are currently maintained by the Bureau.

Will you be proposing specific guidelines for acceptance of voluntary deposits rather than the subjective criteria currently included in regulation?

Mr. Swimmer. Yes.

Senator McClure. As many of the voluntary deposit accounts seem to be maintained either as savings or checking accounts, if a determination is made to continue to service such accounts, will you propose that a charge be made to the voluntary depositor for these services?

Mr. Swimmer. I don't know that that will be necessary. We have discussed it. My preference is to eliminate the voluntary accounts completely. Except where we are required by statute in the hardship case, we won't have them.

We are working now with each of the area offices to do a general review and cleanup on those accounts.

Senator McClure. Have you any estimate of the number of voluntary deposit accounts maintained bureauwide and of the estimated cost to the Bureau of servicing these accounts?

Mr. Swimmer. The Bureau is currently performing an analysis of deposits being maintained in individual Indian money accounts to determine the number of which are voluntary. We do not have an estimate of the number at the present time. When the analysis is complete we will have the actual number of accounts and the estimated servicing costs. We should be able to provide a report in response to this issue by mid-June.

TRIBE/AGENCY OPERATIONS

Senator McClure. The Bureau proposes to include over $301 million in a single line for tribe/agency operations. Three major categories are proposed: general operations, trust operations, and management operations.

Within each of these categories, how much latitude would the tribes have in shifting funds from one activity to another?

Mr. Swimmer. Essentially the same as they have now, except they would not be required to go all the way to central office for approval of what has been considered a reprogramming in the past. It would give the tribes flexibility of being able to reprogram or move money from one account to another within existing limitations at the local level.

Presently for a tribe to move money, any amount from one of those accounts to another, does require an administrative reprogramming effort that oftentimes takes several months.

The Indian priority system is set up approximately 2 years ahead of the time the moneys are available to be spent. What we are hoping for is that a closer relationship to the budget year can be had by allowing this reprogramming effort to occur locally.

Senator McClure. When you say be done locally——

Mr. Swimmer. Agency level.

Senator McClure. At agency level they would request and are approved at the agency level?

Mr. Swimmer. They could be under that concept. They would still have to advise our budget office. If the amount is in excess of the $250,000 Congress requires for a line item, they would still have to get consent.

Senator McClure. They could not, under the law and regulations, just make the transfer at their level without agency approval?

Mr. Swimmer. No.

Senator McClure. In view of the fact that the Bureau is still maintaining separate recordkeeping on contract support funds, if a tribe elected to shift $100,000 from a forestry contract to initiate a new agriculture program, would the contract support funds transfer or would the Bureau consider this a new contract for which line item contract support funds would be provided?

Mr. Swimmer. While the Bureau is keeping a separate accounting of how much funding under any ongoing contract is used for indirect costs, we are not separating our contract support funds per se. Once the contract support amount is grandfathered in, all the funds provided to a contract are considered program funds and are available to pay both direct and indirect costs. Under the condition you have described, if the tribe had never contracted for the agriculture program before, it would be eligible for contract support funds from the separate line item to the extent that the new contract increased the total level of contracting by the tribe. As an example, if after the fund transfer of $100,000 is made, and the new agriculture contract is proposed for $120,000, only the additional $20,000 would be considered for contract support funds.

Senator McClure. Please provide a detailed explanation as to the management of contract support funds under this budget proposal.

Mr. Swimmer. We will provide this information for the record, including an outline of how we intend to operate programs under the new budget activity.

[The information follows:]

MANAGEMENT OF CONTRACT SUPPORT UNDER TRIBE/AGENCY OPERATIONS

EXISTING CONTRACTS

Funds provided under the tribe/agency operations activity include amounts for all direct and indirect costs of existing, ongoing contracts. If a contractor's indirect cost rate changes (either up or down), contract support funding adjustments will not be made by the Bureau. As indirect cost rates may change through time, the operating conditions under each program could change. We would expect the contractor and the Bureau to respond to such changed operating conditions by adjusting the program amount for the contracted program through the normal Indian priority system budget process.

Also, in keeping with the provisions of Public Law 93-638, should it appear that the amount of funds available for direct program costs would be insufficient for the contractor to provide satisfactory services under the contract, the Bureau would invoke a declination issue. The issue would have to be resolved before the contract could be renewed. A likely solution would be for the contractor, through prudent management adjustments, to reduce his indirect costs so as to provide sufficient funding for a satisfactory level of program services. Alternatively, the tribe could augment the direct cost program by proposing to reallocate funds from a lower priority program. As long as the other program would not be adversely affected or was not a program essential to protection of the Bureau's trust or Federal responsibilities, a transfer could be approved by the Bureau.

In addition, we expect that the revised procedure for providing funding for contractor indirect costs, and the proposed tribe/agency operations method of operation, will provide tribal contractors with more management tools to enhance prudent management. The revised indirect cost funding procedure informs the contractors, with a much greater degree of certainty, of the total amount of funding to be received in advance of the beginning of contract operations. The proposed tribe/agency operations budget activity greatly increases the opportunity for planning flexibility to adjust funds available to contracts. The combination of these two factors, plus the availability of planning by tribes using the current Indian priority system, should enable tribal contractors to properly manage their programs within the total funding available. As a consequence, we expect that within a period of 2 to 3 years of operating under these procedures we will no longer have many of the funding shortfalls and related problems which have plagued the Public Law 93-638 contracting process.

NEW CONTRACTS

If a program is being proposed for contracting for the first time, it would generally be eligible for funding from the separate contract support funds [CSF] line item. If the tribal contractor were not involved in a consolidated contract/grant or cooperative agreement, the current procedures on grandfathering in would be followed, since locally approved fund transfers between line items (even if currently contracted) would not be considered for approval by the Bureau (see attached outline on tribe/agency operations below).

Under a consolidated contract/grant, CSF would be added from the separate CSF line item to the extent that adding a new program would increase overall program funding under the contract/grant. In other words, merely readjusting the internal program mix within a consolidated contract/grant to carry out a new program, would not result in additional CSF being allocated to the contract/grant. Under the proposal, the tribally operated portion of any cooperative agreement would be treated in the same manner as a consolidated contract/grant.

TRIBE/AGENCY OPERATIONS OUTLINE

Indian prioirty system

A budget formulation system initiated in fiscal year 1972 (calendar year 1970) to allow tribes to participate in the Bureau budget process.

The system evolved into what is now identified as the Indian priority system [IPS] which permits tribes to participate in the budget formulation process, at the local level, by recommending the order of their priorities and program funding levels to the BIA agency superintendent.

The system allows an appeal process when disputes arise over funding levels or priorities. Assistant Secretary is final arbitrator.

Under the newly proposed tribe/agency operations budget activity, the IPS process would not change. That is, tribal priorities by program would continue to be displayed in Bureau budget requests to Congress. However, under this activity, tribes, at the beginning of the budget execution year, that is, after appropriations were made, would have the opportunity to adjust program funding to meet current operational needs.

Tribe/agency operations budget activity

Activity is proposed to allow tribes greater flexibility for the use of funds subject to IPS, and to address changes in plans and priorities.

The concept would allow tribes, during the budget execution process, to make or request adjustments in the tribe/agency funds to meet current priorities and needs.

Would provide a vehicle to handle a variety of financial assistance award instruments such as consolidated or block grants, contracts, and cooperative agreements without the lengthy process of reprogramming as currently required within the executive branch (agency-area-BIA headquarters-Department-OMB), and with Congress for those items exceeding $250,000.

Tribe/agency operations budget accountability

A. Consolidated contract/grant program will permit tribes to consolidate two or more programs under a single contract/grant.

- —Fiscal accountability would be at the budget activity (bottom line) level while program accountability would remain at the program element level (for example, law enforcement, agriculture, social services, et cetera), since a tribe would be required to report results and costs by program.
- —Terms of Public Law 93-638 and publised regulations will apply in relation to the exercise of the rights of tribes to operate Bureau programs.
- —The IPS as currently structured will continue to be used as the budget formulation system.
- —A tribe can negotiate a change in its program plan at the beginning of the budget execution year, at the end of the second quarter and during the first month of the fourth quarter. Any proposed change up to 25 percent, provided that such amount does not (of itself) exceed $250,000, may be approved locally. Any change exceeding 25 percent must be approved by the Assistant Secretary or his designee (for example, area director), if any.
- —Funds can be used only for those programs identified in an approved plan.
- —Funds would be available for 2 years as is currently the case.

b. Cooperative agreement (combined tribal operated/Bureau operated)

- —Terms of Public Law 93-638 as amended by Public Law 98-250 and Public Law 95-224 and published regulations will apply in relation to the exercise of the rights of tribes to operate Bureau programs.
- —The IPS as currently structured will continue to be used as the budget formulation system.
- —Programs operated by tribe will have the same accountability as defined in a. above.
- —Bureau operated programs will be subject to current accountability requirements (financial programming/reprogramming procedures). Changes between individual programs would be subject to the $250,000 bureauwide administrative limitation.
- —Program management would be joint, that is, the tribe and Bureau would share management of all programs included in the agreement. Therefore, the we-they syndrome that frequently exists under separate 638 contract operated and Bureau operated programs would be eliminated.
- —Two year availability of funds would apply to both tribal and Bureau operations.

c. Bureau operated tribe/agency programs

- —The IPS as currently structured will continue to be used as the budget formulation system.
- —Bureau operated programs will be subject to current accountability requirements (financial programming/reprogramming procedures). Changes between individual programs would be subject to the $250,000 bureauwide administrative limitation.
- —Funds would be annual with no carryover authority.

Tribe/agency operations reporting

For program operated under contracts/grants or cooperative agreements. tribes will be required to meet current contracting/grant program requirements for reporting expenditures to the Bureau on a quarterly basis. Fiscal accountability will be on a bottom line basis with actual costs reported by program.

Current financial and program internal and external reporting requirements for Bureau operated programs will remain unchanged.

An annual report on actual obligations, by program as shown in the annual budget justifications for tribe/agency opeations, specifically for consolidated contract/grant operations and cooperative agreement operations, will be made to the Congress by the end of the first quarter of the next fiscal year (at the time the President's budget is submitted, for example, fiscal year 1987 actual results would be reported when the fiscal year 1989 budget is submitted).

GENERAL INCREASE OF REDUCTION IN TRIBAL ACTIVITIES

Senator McCLURE. If Congress wishes to increase or decrease funding under this budget structure, would you propose a general increase or deduction to allow the tribes to make the decision as to which activities would get more or less funds?

Mr. SWIMMER. We would prefer a general increase or decrease. This would allow the tribes the opportunity to be directly involved in the decisions as to which programs should increase or decrease. We could use the priority information we already have in the Indian priority system to make a distribution of such a change. Under the proposed operating procedures for tribe/agency operations, the tribes could later request adjustment, if conditions have changed since their 1987 priorities were set. Such a general change would go a long way toward resolving a frequent tribal criticism of the Bureau's budget process. The tribes set their priorities 18 to 24 months in advance of the operating year. When they receive their agency fund allocations, the program amounts are often different than expected because of congressional programmatic changes or general reductions, such as mandated by Gramm-Rudman-Hollings. The new activity, coupled with a general increase/decrease, would provide the opportunity for each tribe to fine tune the funding available for their highest priority programs.

FORT McDOWELL IRRIGATION PROJECT

Senator McCLURE. Using funds available from fiscal years 1982 and 1983 the Bureau recently signed a contract for rehabilitation of the main canal of Fort McDowell irrigation project.

According to the fiscal year 1982 justification, the total cost of the system was to be $2.2 million. The Bureau has already committed $4.1 million to the project and we are now informed that there is an additional requirement of $2.4 million if one wishes to get the water from the main canal and distribute it on developed farm lands. At no time were the Appropriations Committees advised that the cost had increased 200 percent.

If costs escalate substantially is it the policy of the Bureau to go ahead with a contract without notifying the committees and to trust that we will simply come up with the remainder of the money?

Mr. SWIMMER. Mr. Chairman, it would not be the policy of the Bureau to act in that manner.

I am not familiar with the specific incidents and would call on my colleagues if anyone has information on this. But I was not able, in the time I had, to run that down. But it certainly would not be the policy for us to do something like that.

Mr. RYAN. My understanding is that the overrun occurred because of delays. Some of the delays were associated with wildlife protection statutes that involved eagle habitat. So the delays being unanticipated resulted in these overruns occurring.

Senator MCCLURE. This isn't a simple overrun—from $2.2 to $6.5 million.

Mr. SWIMMER. I would like to be able to furnish an answer for the record on that.

Senator MCCLURE. Surely, I would invite that.

[The information follows:]

FORT MCDOWELL IRRIGATION PROJECT

Since fiscal year 1982, approximately $4.1 million has been appropriated to the Bureau of Indian Affairs toward irrigation construction efforts at Fort McDowell. In addition to the $1.9 million provided in the jobs bill, BIA has received appropriated funds in the amount of $480,000 during fiscal year 1982 and an additional $1.7 million during fiscal year 1983 for Fort McDowell. This funding has been applied toward developing 1,000 acres of practicably irrigable Indian-owned land and toward providing all of the irrigation facilities to serve that land.

The main canal rehabilitation is currently underway through a Public Law 93-638 contract with the Mohave Apache Tribe, who, in turn has contracted with the A&J Construction Co., at a cost of $2.6 million. The Verde River inlet structure is complete and the 1,000 acres have been cleared and leveled. However, the project incurred unanticipated delays and costs resulting from a controversy concerning endangered species procedures required under section 7 of the Endangered Species Act (Public Law 93-205; 87 Stat. 893) resulting from the discovery of bald eagle habitation in the area of the project. Since construction was in progress when the nest was discovered, irrigation construction funds were expended by the BIA for mitigation of the bald eagle habitat areas, and construction could not recommence until the summer of 1985. This process involved a delay of nearly 2 years. In resolving the problems associated with this effort, the Bureau of Indian Affairs expended $1.5 million toward the inlet works, land subjugation, and other costs associated with the bald eagle controversy.

As a result of these unanticipated delays and the escalation of construction costs, the Bureau currently estimates that $2.4 million is required to complete the project, which still requires farm laterals and on-farm structures in order to provide an adequate farm delivery and distribution system. This work can be completed through phases. The lateral I distribution system is ready for immediate construction, with an estimated cost of approximately $1.3 million.

The lateral II distribution system will not be ready for construction for approximately 9 to 12 months, and is estimated to cost approximately $1.1 million. The Bureau will be considering possible funding alternatives toward completing this effort within available resources.

SAFETY OF DAMS

Senator MCCLURE. For structural modification $8.38 million is requested under the safety of dams category. Only 3 of the 13 projects are designed. Funds for modification analysis, conceptual design, and final design are requested for the other 10 projects along with construction funds.

How long does it take for modification analysis, conceptual design, and final design?

Mr. SWIMMER. I don't have a specific answer.

I would furnish that for the record, if you don't mind because I think it would vary and we probably need to come up with an average.

Certainly we are looking at 1 year.

Senator McCLURE. Maybe you could give it, since there are only 10 projects, for each project.

Mr. SWIMMER. Yes.

[The information follows:]

SAFETY OF DAMS

We have final designs for four of the structures listed in the fiscal year 1987 budget request. Those are: Blackrock, Weber, Oglala, and Parmalee. We do not have specific timeframes for accomplishing the modification analysis, conceptual, and final design for the other nine projects. However, on the average, it takes about 16 months from the start of modification analysis, to construction contract award. The dollar estimates in the budget are based on past experience. After the final appropriations for fiscal year 1987 are known, the actual start of modification analysis and design work for each project will depend on whether the work is accomplished through the Bureau of Reclamation or through private engineering firms.

ACCURACY OF COST ESTIMATES

Senator McCLURE. Without this initial work, how confident are you of the cost estimates including the justification?

Mr. SWIMMER. Without having the actual design work done, we are giving best estimates based upon past experience. So, I wouldn't be able to say that the figures are 100 percent on target.

In the past I believe we had been able to spend everything that we had for dam safety. We have never had a problem with that.

Senator McCLURE. As you know and I know, dam safety problems are allowed to simmer on the back burner until one breaks, and then somebody says, "Oh, gosh, why didn't somebody do something about that."

I don't mean to overdramatize that at all. But it is a very real problem, and these are very real potential problems or they wouldn't have been so identified.

I think there is some urgency in getting on with that work, and it isn't a matter of recent conviction on my part. I have been pushing on this area for several years, because we in Idaho experienced a dam failure and it cost the Government a great deal of money as well as a tremendous dislocation to that community which is not yet completely assimilated.

I think it is a matter of some urgency, and I would urge that you get those analyses and designs completed early enough that we can get a look at real cost estimates and attempt to deal with the problem in a realistic timeframe.

Can it be assumed that structural modification of the 10 projects is feasible and a reasonable alternative when costs are considered?

Mr. SWIMMER. I think that is a reasonable assumption.

Senator McCLURE. Your analysis will indicate that as well, I take it?

Mr. SWIMMER. yes.

TRIBAL TRUST FUNDS

Senator McCLURE. Although only a small amount of tribal trust funds are subject to annual appropriations action, it should be noted that in addition to appropriated funds, almost $470 million in trust funds will be available to Indian tribes in fiscal 1987, an increase of about $35 million above the amount available in fiscal year 1986.

What portion of these funds go out in per capita payments?

Mr. SWIMMER. Very little of the principal has been going out in per capita payments. There might be an expenditure of interest off of those funds by the tribes, but I would have to give you a breakdown on those.

We have had a number of judgment awards, and I am sure that the $35 million is made up of several of them.

I would have to give you a breakdown on that.

Senator McCLURE. If you would do that, please, I would appreciate it.

[The information follows:]

TRIBAL TRUST FUNDS

The tribal trust fund estimates are revised four times a year, based on actual receipts collected and economic assumptions on oil and gas prices developed by the Office of Management and Budget. These estimates were updated January 9, 1986, for the fiscal year 1987 President's budget. Based on the April 1986 revision, the estimates have been decreased due to falling interest rates and also declining prices in oil and gas. Because 1987 tribal budgets will not be submitted until later this year, we cannot provide an estimate on what part of these funds will be given out as per capita payments.

[In thousands of dollars]

	President's budget			Revised April 22, 1986		
	Fiscal year 1986	Fiscal year 1987	Increase/decrease	Fiscal year 1986	Fiscal year 1987	Increase/decrease
George Edgeter 14X8060:						
Earnings on investment	6	6		7	7	
Unrealized discounts	1	1		1	1	
Subtotal	7	7		8	8	
Tribal trust funds 14X8365:						
Awards of Indian claims[1]	50,000	75,000	25,000	50,000	50,000	
Earnings on investments	26,280	25,176	-1,104	18,000	19,000	1,000
Unrealized discounts	7,000	7,000		5,000	5,000	
Interest	105,000	105,000		84,476	85,387	911
Fines and penalties	500	500		500	500	

[1] As of April 30, 1986, awards are only $6.6 million. We have revised our estimates on awards by $25 million in fiscal year 1987.

[In thousands of dollars]

	President's budget			Revised April 22, 1986		
	Fiscal year 1986	Fiscal year 1987	Increase/decrease	Fiscal year 1986	Fiscal year 1987	Increase/decrease
Tribal trust funds 14X8365—Continued						
Rent of land	25,000	25,000		43,928	44,367	439
Royalties	155,400	156,500	1,100	149,833	151,345	1,512
Timber	40,000	50,000	10,000	36,819	37,187	368
Fees	5,000	5,000		1,809	1,827	18
Sale of real property	3,000	3,000		1,970	1,990	20
Miscellaneous recovery	15,000	15,000		9,192	9,284	92
Subtotal	432,180	467,176	34,996	401,527	405,887	4,360
Contributed funds 14X8563:						
Contributions	100	100		100	100	
Earnings on investments	46	46		46	46	
Unrealized discounts	4	4		4	4	
Interest on contributed funds	120	120		100	100	
Subtotal	270	270		250	250	
Total	432,457	467,453	34,996	401,785	406,145	4,360

EFFECT OF TRIBAL TRUST FUNDS ON FEDERAL APPROPRIATIONS

Senator McCLURE. In determining priorities for the use of Federal funds, does the Bureau consider the amount of trust fund income available to a tribe?

Mr. SWIMMER. Not generally.

Senator McCLURE. Should you?

You had quite an extensive discussion with Senator Stevens about what is happening in Alaska. And I thought I could see underlying that was perhaps an unstated thought that you ought to consider not only the obligation on the part of Government, but also the obligation measured in terms of need of the recipient.

Availability of trust funds would be one portion of the measurement of need, would it not?

Mr. SWIMMER. Not necessarily. The analogy perhaps is there with some of the things we are doing in Alaska.

But I think it would be difficult for the Government to tell a tribe to use its trust funds to fund activities that are appropriated by Congress to provide services for every Indian tribe. If you were successful enough in defending or prosecuting a claim, a tribe shouldn't be required to use that as an offset to federally funded programs.

On the other hand, it would seem incumbent on that tribe—I personally had the experience of this—that they should use the benefit from the trust funds, the interest income, in a way that enhances the economic viability of the tribal government, provides jobs, creates a local economy.

If that is done, then, in fact, the dependence on the Federal budget would be decreased. That particular tribe would not need as many of the social service kinds of programs that Congress has appropriated. Other tribes that have a greater need would then be able to get a greater share of the funds.

But, to have us actually tell the tribe that you will not receive money in these various categories because you have trust funds, would be as if we were voiding the judgment of the court. We would be telling the tribe how it is going to spend that judgment. I don't think we have that authority or responsibility.

I think that should be done in the greater economic scheme of things on the reservation. Our efforts should be used to help the tribe in the proper investment of those funds and the eventual utilization of them to improve the general well-being of its citizens.

Senator McCLURE. Well, I would assume that there is a great deal of truth in the fact that it would depend upon the source of the funds and the reason why they were paid.

But, there is also some truth in the fact that we have obligations under treaties and policies which have been adopted by our Government over a long period of time by treaty or statute.

There are also a number of benefits that flow to members of Indian tribes as citizens of the United States and they get them the same as any other citizen does. And if those needs are means tested as they are for many, many citizens in this country, their benefits depend upon their means, if that person gets noncompensatory claim and he has money, he has income and he has means, it reduces their exposure to benefits, does it not?

Mr. SWIMMER. In some cases it could. But I think the analogy would have to be to the same policies we take with the States and municipal governments. If the government is receiving an award in a judgment that we don't dictate to that government how it spends that money and cannot require that it be used as an offset for other Federal entitlements that an individual program of that government might be receiving in the normal course of business.

Senator McCLURE. Thank you very much for your testimony, Secretary Swimmer.

ADDITIONAL COMMITTEE QUESTIONS

There are a number of additional questions which we will submit for a written response.

Other members of the committee may have until the close of business tomorrow for the submission of questions for response.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Education

Question 1: The budget proposes termination of the Johnson O'Malley program with the funds to be transferred to the Department of Education and funding by the BIA of activities previously supported by Part B of the Indian Education Act. Your opening statement notes that legislation is not required to fund the Part B activities through the BIA. It is clear that the Congress will not act on the legislative proposal this year. In view of that, is it your position that the appropriations committee should take the first step by discontinuing Part B activities in the Department of Education and funding those activities in the BIA?

Answer: Yes. Since no legislation is required to transfer to BIA the Title IV activities affecting students in BIA-funded schools, that action could be taken independent of the consolidation of JOM and Title IV in the U.S. Department of Education.

Question 2: 15 States currently receive funding from the Department of Education which are not included in the JOM program. If the programs were merged, the long-term effect after the expiration of the hold harmless provision would be to reduce overall funding in traditional Indian country such as South Dakota and Montana in favor of increasing funds to states like Indiana and Virginia. Is that a position supported by the Bureau of Indian Affairs?

Answer: Merging the programs would not have the described effect since the proposed formula for distributing funds would be weighted in favor of students living on or near Indian reservations.

Question 3: Three States have less than 100 students -- even under the broad definition of "Indian" employed by the Department of Education, and 16 states have less than 1,000 students in their entire state. Has any consideration been given to establishing a threshold level for Indian enrollment a state must have prior to becoming eligible for this proposed consolidated program?

Answer: No state-level threshold has been considered. However, the draft legislation establishes a minimum of 20 Indian students per school district for participation. This should be adequate to ensure services are provided only where there are a sufficient number of students to justify the effort.

Complaints from Public Schools

Question 4: Our office has received complaints from both the Tuba City public schools and the Kayenta Unified School district about competition from the BIA schools. The Superintendent of the Kayenta school writes that the Bureau and public school are located across the highway from each other; that the public school could accommodate the BIA enrollment and that the public school covers all the bus routes covered by the BIA. The Kayenta BIA school is classified as a boarding school. Why is the BIA running bus routes for a boarding school?

Answer: Kayenta Boarding School has no bus routes. The day students walk to school.

Question 5: What portion of the Kayenta students are really day students rather than boarding students?

Answer: Kayenta has 347 boarding students and 141 day students.

Question 6: Tuba City and Kayenta are both on the Navajo reservation, so would we be correct in assuming that the vast majority of the students in the public schools are Indian?

Answer: Yes, over 90% of the public school students are Indian.

Question 7: Tuba City states that they have lost 436 students from the public school system to the BIA because the BIA started bus routes there (again for a facility which is supposed to be a boarding school) and because the BIA offers free breakfast and lunch to all students even if their parents are capable of paying for meals. For how long has the BIA been running bus routes in Tuba City and what is the justification in view of the availability of a local public school?

Answer: The BIA began running buses in 1979 when kindergarten students were no longer permitted to board. It has been Bureau policy to permit Indian parents the choice of sending their children to public or BIA schools. General Bureau education policies are currently under review.

Question 8: According to the justification, transportation funds are allocated to boarding schools to provide for a student's arrival at school in the fall, a round trip home mid-year and a return home at the end of the school year. Where are the boarding schools getting funding for daily bus transportation?

Answer: Boarding students are funded for 4 trips per year, and day students are provided daily transportation. Boarding schools may receive both types of transportation funding.

Question 9: Please provide for the record a list of all boarding schools which are running bus routes, the cost of the bus transportation, the justification for bus transportation, and the distance to the closest public school of comparable grade level.

Answer: The following boarding schools provide daily transportation for students who do not board at the school. Students who live close to the school are encouraged to reside at home. The cost of day transportation is less than the cost to board the students.

School	Day Student Transportation Funding, FY 1986	Miles to Nearest Public School
Marty Indian School	$ 52,000	15
Crow Creek High School	35,400	19
Santa Rosa Ranch	69,400	55
Santa Rosa Boarding School	72,500	45
Pine Hill Schools	172,000	24
Aneth Community School	74,600	13
Teecnospos Boarding School	95,500	19
Toadlena Boarding School	119,000	12
Dennehotso Boarding School	33,500	40
Kaibeto Boarding School	137,600	38
Leupp Boarding School	85,300	1
Navajo Mountain Boarding School	22,300	100
Rocky Ridge Boarding School	81,000	60
Shonto Board School	133,800	60
Tuba City Boarding School	38,500	1
Baca Community School	38,300	17
Lake Valley Navajo School	73,700	40
Mariano Lakes Community	61,800	15
Pueblo pintado Community School	108,600	45
Dlo'Ay Azhi Community School	13,100	1
Ft. Wingate Elementary School	5,700	14
Ft. Wingate High School	20,700	14
Crownpoint Community School	16,200	1
Dzilth-Na-O-Dith-Hle Community School	95,800	35
Low Mountain Boarding School	101,700	15
Pinon Boarding School	89,300	1
Rough Rock Demonstration School	104,300	40
Chuska/Tohatchi Consolidated	8,300	1
Crystal Boarding School	60,100	12
Dilcon Boarding School	156,100	34
Greasewood Boarding School	84,800	40
Hunters Point Boarding School	32,600	15
Kinlichee Boarding School	99,800	6
Pine Springs Boarding School	36,800	18
Seba Dalkai Boarding School	81,000	45
Wide Ruins Boarding School	40,600	35
Toyei Boarding School	61,100	16
Pascal Sherman Indian School	41,100	7
Choctaw Central School	82,900	8
Total:	$2,736,800	

School Lunch Programs

Question 10: Does the Bureau charge any students for breakfasts or lunches?

Answer: No.

Question 11: Why shouldn't the BIA follow the guidelines for the School Lunch program of the Department of Agriculture?

Answer: The Bureau follows the Department Agriculture income guidelines in applying for reimbursement from the Department of Agriculture for eligible students; however, it has been Bureau policy to provide free meals for all students. General Bureau education policies are currently under review.

Question 12: What is the total spent annually for food service costs in Bureau schools?

Answer: We estimate food service costs in the range of $35-36 million (including boarding schools and contract schools) which provides snacks, breakfast, lunch and dinner. Dinner is provided only for boarding students.

Question 13: Do teachers and staff pay for meals at Bureau schools?

Answer: Yes.

Question 14: We have heard that at some schools which do not run a summer school program, the cafeteria remains open during the summer to serve staff, and members of the community. Is that true, and, if so, what is the justification?

Answer: A recent initiative of the Bureau was to reduce the tenure of all staff to an "appropriate time period", usually the academic year. If this situation existed in the past, we feel our action has resolved it.

Other Parental Cost Items

Question 15: What school supplies and/or items of clothing are provided by Bureau schools to students, regardless of the ability of the parents to pay, which are not generally provided by public schools?

Answer: This type of detailed data is not kept in Central Office. We have requested the information from field locations and will provide it to the committee as soon as it is received.

Question 16: What is the annual estimated cost of such items?

Answer: This type of detailed data is not kept in Central Office. We have requested the information from field locations and will provide it to the committee as soon as it is received.

School Enrollment

Question 17: Despite the fact that the Bureau estimates of school enrollment have been overstated by 1,000 students for fiscal years 1985 and 1986, the justification indicates a net change of only 10 students for fiscal year 1987. On what basis have you determined that the trend of declining enrollment will be reversed?

Answer: FY 1986 was the first full year that attendance boundaries were in place, and we saw extreme changes in enrollment. Thirty-eight (38) schools qualified for declining enrollment, but 78 schools had increased enrollment. We expect this trend to stabilize in FY 1987.

Question 18: According to the justification at least half of the students attending the Pinon boarding school are expected to transfer to public school and $500,000 is requested for declining enrollment adjustments which are provided only if a school loses at least 10 percent of its enrollment. From what sources and for which schools does the Bureau expect to pick up additional students?

Answer: We cannot predict enrollment at individual schools because of changes in student and parental choice as well as employment trends. We expect to see a continuation of shifts between public and BIA schools, however.

Question 19: The residents of Chilchinbeto recently voted 59-5 to join the Kayenta public school district. According to a newspaper article in the Navajo Times, this transfer will take place this year. What amounts did this school receive in ISEF and O&M funding during FY 1986?

Answer: Chilchinbe received $373,400 for school operations and $288,500 for O&M in FY 1986. We are advised that the transfer cannot be finalized until approved by the Navajo Tribal Council.

Question 20: Other than the closures and consolidations mentioned in the justification, has the status of any other currently funded school changed since the justification was prepared?

Answer: Leupp Boarding School and Flagstaff Dormitory converted to contract operated schools on July 1, 1986.

Indian School Program Adjustments

Question 21: Start up costs are requested for the expanded program at the Chi Chil Tah school. The Jones Ranch day school was to be closed when this school opened. Is that still the plan? If so, please provide current O&M costs for Jones Ranch.

Answer: The Chi-Chil-Tah school is scheduled to open October 1, 1987. Therefore, Jones Ranch will remain open through the 1986/1987 school year. The O&M funding for Jones Ranch is $48,600 in FY 1986 and $51,000 in FY 1987.

Question 22: Last year it was estimated that $720,000 in ISEP savings could be achieved through conversion of the Pinon Boarding school to a peripheral dormitory. Why are no savings identified in the '87 budget?

Answer: On page 44 of the Budget Justification, the Pinon conversion is shown as one of the reasons for $2,799,000 ISEF reduction.

Question 23: Start up costs are requested for the Hopi and Papago high schools. What is the anticipated enrollment for each school?

Answer: The enrollment anticipated for the first year of operation is 550 at Hopi and 400 at Papago.

Question 24: What is the designed capacity for each of the schools?

Answer: Hopi is designed for a capacity of 850 students, and Papago is designed for 425.

Question 25: What was the total construction cost for each school?

Answer: Construction is not complete on either structure. Projected construction cost for Hopi high school is $24,953,226 and $8,296,307 for Pagago high school.

Question 26: Please provide a detailed explanation of the methodology used to determine the design capacity of the two schools.

Answer: The following factors were used to determine what the capacity of the two schools should be:

1. The graduating enrollment from each elementary school that would feed students into the two high schools.
2. The number of students from each reservation attending schools off the reservation (BIA boarding schools, peripheral dorms, public and private schools).
3. The number of children entering kindergarten and/or first grade in the feeder schools each year.
4. The new housing starts on each reservation and the number of new families occupying them.
5. The secondary school dropout rates on each reservation.
6. The number of school referrals being housed off-reservation for social reasons.

All of the factors were considered and the best estimate of enrollment resulted. An analysis of projected enrollments based upon a 5 year history of attendance in the feeder schools was also used.

Question 27: What assumptions were made regarding students living in the area of the two schools who had been attending other Bureau boarding schools or peripheral dormitories in determining the designed capacity?

Answer: During the planning stage, each tribal group involved assured us that their policies would require all students to attend the new on-reservation secondary schools once they were built. This was considered when making the projections for the size of each school.

Question 28: With respect to attendance areas, what will be the Bureau's policy with respect to students living within the areas served by these two schools?

Answer: In both cases, the attendance area will be the reservation boundaries.

Question 29: As the 1986 funds for the gifted and talented program were provided half way through the academic year, won't half of the funds be available for the 1986-87 school year?

Answer: No. The funds were used for reference materials, kits, other documents and supplies, and tuition for students attending special summer courses. Staff costs will still be incurred this fiscal year when school starts in August.

Education Standards

Question 30: While dormitory standards are in place, it is our understanding that they will not be enforced. Is that correct, and, if so, why?

Answer: The dormitory standards will be enforced. In FY 1986, we have collected compliance data, and each school is to submit a plan for attaining compliance. During FY 1987, we will work with the schools to implement the plans, and compliance will be required by the start of school year 1987/1988.

Question 31: How many contract schools are currently not in compliance with the provisions for academic standards as applied to those schools?

Answer: We don't know. The academic standards are not mandatory for contract schools. The contract schools have the option to (1) establish their own standards, (2) meet state standards, or (3) comply with Bureau academic standards. Public Law 99-89, the Indian Education Act Technical Amendments of 1985, allows the contract schools two years to attain compliance.

Question 32: What is the latest date for compliance for currently funded schools?

Answer: October 1987 is the final date for Bureau-operated schools to be in compliance with the academic standards.

Question 33: What action will the Bureau take against schools not in compliance by the deadline?

Answer: The regulations provide that "in the event a school is not in compliance for two consecutive years due to conditions which can be corrected locally, appropriate personnel actions shall be taken." The specific action has not been determined.

Institutionalized Handicapped Program

Question 34: Please provide language from Public Law 94-142 which requires the BIA to provide educational costs for handicapped Indian children who are placed in institutions.

Answer: Public Law 94-142 (20 USC, 1401-1461) directs that handicapped children have available to them a "free appropriate public education which emphasizes special education and related services designed to meet their specific needs..." Special education is defined as "including classroom instruction..., home instruction, and instruction in hospitals and institutions." (Underscore added.)

Though Public Law 94-142 funds may be used to pay for institutional care of handicapped children, the Bureau generally does not use P.L. 94-142 funds for this purpose. The Bureau's budget includes a separate line item, Institutionalized Handicapped, which funds the educational costs for Indian children who must be placed in institutions because they cannot be adequately served in Bureau-funded elementary and secondary schools.

Post Secondary Education

Question 35: Please provide a table showing comparisons among the three Post Secondary schools including number of positions and costs for administrative personnel, facilities, average class size, number of courses offered, number of areas in which a student may obtain a degree, and any other relevant data which may help to explain the great discrepancy in per student costs between IAIA and the other two schools. Also include any additional funds provided for O&M.

Answer: The Bureau has requested these details from the three post secondary schools and will provide the comparative data to the Committee as soon as it is received. In FY 1986, the schools received O&M funds at the following levels.

SIPI - $1,060,000
IAIA - $ 450,000
Haskell - $2,150,000

Stone Child Tribally Controlled Community College

Question 36: Bureau regulations require a positive eligibility study prior to funding new Tribally Controlled Community Colleges. Despite a negative eligibility study, you have approved funding for Stone Child Community College and have further recommended funding one year prior to the year they would be eligible under existing regulations. Have any other TCCC's been funded without a positive eligibility study?

Answer: No.

Question 37: Regulations require the presence of a "reasonable" number of students." What is a reasonable number?

Answer: Current regulations require "financial feasibility based upon potential enrollment", and no specific number is mentioned.

The draft regulations to implement P.L. 98-192 may change the current regulations to read "financial feasibility... based upon an Indian student count which will support a college."

Question 38: Stone Child spends only $45,000 annually on institutional salaries. How many instructors are employed by the school?

Answer: Stone Child has 35 part-time instructors and 5 full-time instructors.

Question 39: Please provide the academic credentials of the instructors.

Answer: The list of instructors is attached.
(Clerk's note.—The list is being held in the committee files.)

Question 40: According to information submitted by Stone Child, each instructor generates only 6 credit hours. For a three-hour course, that's only 2 students a week. Is that accurate?

Answer: No. Most instructors teach two courses per semester and the hours generated depend upon the number of students enrolled in each class. The normal class size is 7-12 students, therefore the hours generated by an instructor teaching six credit hours would be about 42-72 credit hours.

Question 41: Another requirement for a positive determination is a stable or growing population over the last three years. Stone Child was not chartered until May 17, 1984. How does it meet this criterion?

Answer: Stone Child was created in 1983 as a satellite of Dull Knife Community College and the students were funded at Dull Knife. For school year 85/86, Stone Child was funded as a satellite of Salish-Kootenai Community College. This change was the result of two factors: 1) Dull Knife ceased dormitory operations, and 2) Dull Knife lost its accreditation and Stone Child wanted to be associated with an accredited school to assure that its credit hours could be transferred. Colleges are funded on the basis of full time equivalent (FTE) students rather than enrollment. The table below shows FTE for the three locations.

School Year	Stone Child	Dull Knife	Salish-Kootenai
83/84	(38)	193*	182
84/85	(66)	178*	179
85/86	(78)	95	268*

* Includes FTE for Stone Child (formerly called "Rocky Boy").

Social Services

Question 42: What work has been done to date to establish a quality control program for general assistance grants?

Answer: The Bureau has detailed staff into Central Office to assist Central Office specialists in this effort. Significant work has been accomplished including: development of draft procedures and guidelines; development of an instrument to measure the overall quality of service delivery in the field; field testing of the instrument in nine locations in April and May; development of the organizational restructuring of the Division of Social Services to include a separate branch for Quality Control; and development of branch functions and appropriate position descriptions for the purposes of recruitment. The Division of Social Services expects to fill the Quality Control Branch positions by September 1986. In the meantime, Central Office staff and Area Office staff will be heavily involved in testing the instrument, drafting the regulations and procedures, and will be traveling extensively to field test the instrument and draft procedures. Additional funding in FY 1987 will enable the BIA to hire additional staff which will be necessary to implement the quality control effort nationwide.

Question 43: Once operational, are there plans to expand the system to other social services activities?

Answer: Currently there are plans to expand the quality control system to other social services activities. Some preliminary activities including development of a generic instrument for reviewing and monitoring caseloads have already been initiated.

Question 44: Is it your position that the States have the right to exclude Indians from programs that are otherwise available to other residents of the state?

Answer: It is the position of the Bureau of Indian Affairs that insofar as possible, Indians should have the same relationship to public welfare agencies as non-Indians, and that public welfare agencies should have the same responsibility for providing services and assistance to Indians as they have for non-Indians in similar circumstances. It is recognized, however, that there are certain services (such as general assistance) that are required by some Indians which are not provided by all state welfare agencies; and that the tax-exempt status of Indian lands may affect the ability of some states to meet the needs of Indians, particularly if Indians constitute a considerable portion of their populations. In all instances, BIA social services are secondary or residual forms of assistance and therefore are not provided if assistance is available from any public source.

Question 45: Haven't there been court cases at both the state and federal level affirming the rights of Indians citizens of states?

Answer: It is our understanding that there have been court cases at both the state and federal level affirming the rights of Indians as citizens of states.

Question 46: Rather than the Federal government spending $90 million a year for welfare in states which do not choose to serve Indians, wouldn't it be a better use of funds to bring suits against States to Indians in those states?

Answer: There are currently two states, Arizona and New Mexico, that adhere to policies which restrict state general assistance eligibility to non-reservation residents. Whether the Federal Government should initiate legal action against those two states to seek a reversal of public welfare policies which appear to deny equal protection to Indian people is a matter which would require careful and extensive consideration. The needs of Indians who have traditionally received BIA assistance would have to be considered in undertaking such a process which could result in long term litigation efforts while benefits could possibly be denied to previously serviced populations before a final court decision. Before undertaking such action, the Bureau would need to further determine the effects and appropriate process for such action.

We wish to emphasize, that New Mexico public welfare officials have very recently informed the Bureau that necessary procedures have been initiated to rescind the policy which has prevented the delivery of state general assistance on Indian reservations. We have been advised that the restrictive policy could be rescinded as early as this summer. Our preliminary estimates indicate that terminating the general assistance program in Arizona and New Mexico would amount to an annual savings of approximately $31 million. A $90 million savings could be realized only if the general assistance program were terminated Bureau-wide.

The Bureau funds programs of general assistance in 18 states; of those 18, only Arizona and New Mexico administer programs of state general assistance which are option that, where they exist, generally meet emergency needs on a one-time-only basis. It is important to note that no Federal funds are contributed to state general assistance programs and states are under no obligation to provide the service to any of their residents. Should legal steps be taken to ensure that Indians are eligible for all state-provided services, it is the Bureau's opinion that such action should be taken only against states that maintain programs from which Indians are expressly excluded.

Question 47: In discussing the bill language that was required to terminate Alaska Natives from the general assistance program, the Bureau was clear that the language should not speak to "a comparable program," because Alaska's general assistance program has far lower benefits and different criteria than the Bureau's program. Arizona and New Mexico both have statewide general assistance programs.

Why is the Bureau continuing to provide general assistance payments in these states and what makes them different in Alaska?

Answer: It is correct that Arizona and New Mexico provide limited general assistance to their disabled residents. Both of these states, however, have taken specific measures to deny general assistance eligibility to Indians who reside on reservations. The State of Arizona has enacted a regulatory exclusion for Indians (§R6-3-715 of the Arizona State Rules); and New Mexico denies general assistance to Indians simply by state public welfare policy (NMDHS §241.12). The situation in these two states differs from Alaska in that the Alaska general assistance program, although not comparable to Bureau general assistance, was available to native residents of the State of Alaska. We have recently been informed by New Mexico state officials that NMDHS §241.12 is in the process of being revised and if approved will no longer exclude reservation Indians from receiving state general assistance.

Question 48: Please provide a description of the general assistance program operated by the States of Alaska, Arizona, and New Mexico (include eligibility criteria and payment levels), and contrast these with the current Bureau program (for Alaska, describe the program and payment levels in the year the BIA program was terminated).

Answer: The Arizona general assistance program is 100% state-funded and is administered by the Department of Economic Security through its local offices. Arizona general assistance provides ongoing maintenance assistance primarily to persons temporarily or permanently disabled who are not eligible for AFDC or SSI. Recipients are predominantly single or married disabled persons without dependent children. The State of Arizona has promulgated a state regulation which denies general assistance eligibility to Indians who reside on reservations. State AFDC and state GA payment levels are identical. For a family of four with shelter costs the rate is $353 per month; without shelter costs, the rate drops to $220. BIA general assistance is also paid at the AFDC rate. We have been informed that Arizona has appropriated $3 million to fund its state general assistance program this year. Expenditures for Bureau general assistance in Arizona this fiscal year will be approximately $20 million. However, if the BIA were to terminate GA in Arizona, the vast majority of recipients would not be eligible for state benefits unless they left the reservation. Furthermore, much of the BIA caseload is intact families which are not eligible for AFDC assistance. Therefore, because Arizona restricts its program to unemployable people, numerous needy Indian families would not have any welfare assistance available to them.

New Mexico's general assistance program is also a uniform statewide program that is fully funded from state revenues. Eligible applicants for the New Mexico program include only disabled persons who are ineligible for SSI and dependent children who are not related to their caretakers. New Mexico public welfare policy presently excludes Indian reservation residents from GA participation. The State General Assistance payment standard for a family of four is $281 per month for those who can qualify for the program. New Mexico's present AFDC payment level for a four-member household is $313 per month. BIA general assistance is provided at the

AFDC level. New Mexico's total appropriation for its general assistance program is $660,000 for the present fiscal year. The Bureau will spend approximately $11 million in FY 1986 to provide general assistance to Indians in New Mexico. However, if the BIA were to terminate GA in New Mexico, the vast majority of recipients would not be eligible for state benefits unless they left the reservation. Furthermore, similar to Arizona, New Mexico's program is limited to unemployables which would leave many Indian families without welfare assistance.

The major non-Federal assistance program in Alaska is General Relief (GR). It is a uniform statewide program fully funded by the state. The program is administered by Alaska's Division of Public Assistance, Department of Health and Social Services, through 21 county offices. The Alaska GR program provides emergency maintenance assistance to any needy persons not eligible for AFDC and SSI. A plurality of GR receipients are intact families with dependent children. When BIA terminated GA to Alaska natives in 1982, the Alaska GR payment standard was $80 per person ($320 for a family of four). The 1982 AFDC standard (which was the basis for the BIA general assistance rate) was $637 for a family of four. The Bureau spent approximately $4 million per year for general assistance in Alaska.

Question 49: In fiscal year 1985 Congress provided an add-on of $9 million for the law enforcement program. In response to complaints that the funds were not distributed in an equitable manner, the FY '86 report contains language directing how $500,000 should be allocated. When will the Bureau comply with that directive?

Answer: The funds have been distributed in accordance with the congressional directive.

Question 50: $100,000 is requested for equipment purchase for jails which have been renovated during the last several years. Have the additional staff also been provided for the expansions?

Answer: The $100,000 is being used for equiping the facilities. No funds have been allocated to cover staff costs.

Question 51: Of the 14 expansions, for how many did the tribes make requests for additional staff through use of the Indian Priority System?

Answer: None.

Question 52: Is the current request of $100,000 all that will be required for equipment for all of the expansions?

Answer: No further appropriations will be required. Equipment for all the facilities is estimated to cost $600,000. However, the $100,000 request is sufficient to cover all expansion-related equipment costs of 10% of the annual law enforcement funding allocation at the agencies where facilities are being expanded. It was felt that expenses of less than 10% of the annual agency budget can be absorbed on a one-time basis.

Small Tribes Core Management Program

Question 53: The justification states that the small tribes core management program will be phased out. What is the time frame envisioned?

Answer: The justification states that the program will be phased down to a maintenance level, not phased out. We do not expect to phase out the Core Management progam in the near future. Although we currently have no data which indicates the actual need nationwide, we do have information from evaluation reports that, after two or three years of funding under the Core Management program, some tribes are receiving grants from other agencies and are now contracting Bureau programs. These tribes will "graduate" from the program thereby allowing the Bureau to assist more of most vulnerable of the small tribes. It must also be noted that the Core Management program is not an entitlement program, nor is funding based solely on need. The program is based on need, merit and performance for renewal or continuation grants. That is, tribal applicants must have specific needs, demonstrate by their application the potential to meet the needs or overcome problems, and to have made good progress toward prior year's objectives, in the case of a renewal grant. Tribes will receive grants as they become ready and other tribes are phased out of the program. This will therefore phase down the current program.

Navajo and Hopi Settlement Program

Question 54: How much was carried over in this account for each of the last three fiscal years?

Answer:

Date	Amount Carried Over
9-30-83	$ 7,099,946
9-30-84	3,309,927
9-30-85	3,316,738
TOTAL	$13,726,611

Question 55: What is the carryover estimate for fiscal year 1986?

Answer: Based on field obligations through the first month of the third quarter and present work plans we estimate an FY 1986 carryover of $425,000.

Tribal Contracting

Question 56: What amount of Bureau salary cost savings are directly attributable to contracting by tribes?

Answer: There are usually no salary cost savings when programs are contracted by tribes since work under a contract requires staff. Additionally, with the increased volume of tribal contracting the Bureau must hire technical staff to assist in contract administration, technical assistance, and review - thereby offsetting other reductions. The Bureau believes such technical staff is vital to the main objective of P.L. 93-638 contracting which ensures successful self-determination on the part of the tribes.

Question 57: Please provide a table of major Bureau program diversions showing total funding, amount contracted, Bureau personnel and personnel costs, and estimates of the number of contract personnel from 1978 to date.

Answer: The information requested is not readily available and will require extensive research. We hope to be able to provide the information for the Committee's files by September 30, 1986.

Employment Development

Question 58: Which states provide employment assistance services on or near reservations?

Answer: No state provides employment assistance services on or near reservations. These services are provided only by the Bureau of Indian Affairs. The states have State Employment Service Offices that Indians can use while seeking employment.

Question 59: What amount of contract support costs were carried over by UTETC from fiscal year 1985?

Answer: UTETC had no contract support (or program operation) costs carried over from fiscal year 1985.

Economic Development Grant Program

Question 60: Of the projects for which grants have been awarded to date are all still in business and current in meeting financial obligations?

Answer: There have been 55 tribal grants awarded since 1983. The Comanche Energy Resource Company (Cerco) is the only business that is not meeting financial obligations. They are in bankruptcy. Four others have not started operation.

Question 61: What is the number of new jobs created through these projects?

Answer: Approximately 900 new jobs have been created.

Question 62: How many of those jobs are held by Indians?

Answer: Approximately 800 are held by Indians.

Question 63: What are the requirements an individual must meet prior to receiving a grant?

Answer: The individual must be an enrolled member of a federally recognized tribe, and must submit an application demonstrating economic feasibility of locating the proposed business, enterprise, etc. on or near a reservation and must provide evidence of 75% non-government financed matching funds.

Question 64: Other Bureau loan programs have suffered losses in certain areas - notably those loans made for the purchase of commercial fishery vessels. Do you intend to make grants for this purpose?

Answer: We will entertain all economic development applications, will evaluate each for positive economic potential. Given the results of the evaluation process, those projects showing the greatest economic potential will receive funding.

The Central Office has not approved tribal grant applications for commercial fishing purposes, at this time. However, two of the Area Offices have approved grants to individuals under their delegated authority. Portland has approved five grants, totaling $56,371; and Minneapolis has approved three, for less than $15,000. Juneau, Minneapolis, and Portland all have pending grant applications for fishing related projects.

Credit and Financing

Question 65: Please provide workload data for each area and/or agency office as well as for the Central office. In addition, please indicate default rate for loans approved by each office, for fiscal years 1980-85.

Answer: The credit staff of the Bureau works with 5 programs, including direct loans under the Revolving Fund for Loans; the Loan Guaranty Program; the Indian Business Development Grant program; tribal relending programs; and management and technical assistance grants. The applications for all of these programs originate at the tribe/agency level. It is the duty of the credit personnel to review all of these applications, work with the clients to present a complete package, and make suitable recommendations for action.

Approval authority for these various programs rests at different levels of the Bureau. Under the grant program, the Area Directors have been delegated approval authority up to $40,000 on grants to individuals. Under the Revolving Loan program, they have been delegated approval authority of $250,000 for loans to tribes, and $100,000 on loans to individuals. In some cases, the Area Directors have delegated to Agency Superintendents, their authority to approve loans to individuals in amounts ranging from $30,000 to $100,000. However, due to limited funds in the loan program, fund control remains at the central office and no loans may be approved without prior clearance of fund availability.

In the case of the Revolving Loan Fund, direct loans to individuals make up approximately 10% of the total outstanding dollar amount of loans. The remaining 90% is in loans to tribes and corporations, credit associations or cooperatives and in Expert Assistance loans to tribes.

The Assistance Secretary - Indian Affairs may delegate, on an individual loan basis, his authority for loan approval on tribal loans to the Area Director. Or, under either the direct or guaranty program, he may set aside an amount of funds to be used by a specific area or agency for one type of loan.

At what ever level of the Bureau the loan or grant may be approved, it is the ultimate duty of the agency credit staff to first review the loan, make their recommendations on it, and after approval - service and collect it. For this reason, the workload data for credit was included on page 230 under the Tribe/Agency portion of the budget. That information is listed below.

Workload Data	($ in millions) FY 1987
BIA - direct loans - outstanding	$120.0
BIA - direct loans - new	16.3
Guaranteed and Insured loans - outstanding	189.3
Guaranteed and Insured loans - new	30.0
Economic Development grants - new	8.5

Specific workload information indicating approvals and defaults by area and agency levels could be gathered from the field offices, if requested. However, because each field office would have to review its records to see which loans made in the last six years had been declared in default and check each application to see which office signed it, the research would take some time.

Prairie Dog Control

Question 66: As part of the prairie dog control program on the Pine Ridge reservation, range restoration will begin in fiscal year 1987. Following completion of the five year program, will the range be better managed so that benefits of the rather substantial investment can be maintained?

Answer: The range will be better managed, depending on the following influential factors:

(1) Continued favorable ecological and climatic conditions conducive to continued native grasses' rejuvenation in areas cleared of prairie dog infestation.

(2) Proper distribution of livestock based on current stocking rates designed to minimize or prevent overgrazing.

(3) Range water resources development in rehabilitation areas on the reservation to allow rotation of grazing areas.

(4) Issuance of grazing permits designed to stipulate pasture rotation and maximum feasiblity in selecting season of use.

Forestry

Question 67: The budget proposes a reduction of $3,750,000 for reforestation work. How much do the tribes spend of their own resources for reforestation activities?

Answer: In FY 1984, the tribes spent $3,816,000 in tribal funds for forest development work. In FY 1985, the amount spent was $2,222,00.

Michigan Settlement

Question 68: An increase of $580,000 is requested for the Michigan settlement, for a total of $1,280,000. What are the financial obligations of parties other than the BIA?

Answer: The other Federal financial obligation included $75,000 for the U.S. Fish and Wildlife Service in FY 1985, and the FY 1986 supplemental in the Bureau of Indian Affairs budget of $1.5 million for the Treaty Waters Fisheries Management Fund, which will be invested according to a plan approved by the Secretary. In addition, $1.5 million was also contributed to the fund by the State of Michigan (appropriated by the state legislature in 1986). Only the interest from this fund will be available to the Chippewa Ottawa Treaty Fisheries Management Authority for fisheries management activities.

Question 69: Specifically, what does the agreement require?

Answer: The court-ordered consent decree governing the Michigan fisheries settlement contains the following language regarding the Federal contribution:

> "43. The Tribe shall have the authority to void this agreement or any portion thereof, upon not less than 60 days prior written notice to the State and the Department of the Interior, unless the following funds and assistance are timely provided by the Department of Interior.
>
> (a) In fiscal year 1985, $250,000 to be used by the Tribes for a study to examine methods to increase the financial return to the Tribes and tribal fishery from the marketing of the treaty harvest.
>
> (b) In fiscal year 1985, an additional $180,000 to the Tribes for their conservation programs, which include law enforcement, tribal courts and the tribal biological assessment project.

(c) For the assessment of fish stocks available for commercial harvest within treaty ceded waters, an additional $75,000 to the Fish and Wildlife Service (FWS) during fiscal year 1985.

(d) For the construction, acquisition and/or renovation of a building in Sault Ste. Marie to be utilized for the Treaty Waters Conservation Office, $150,000 to $200,000 by the end of the fiscal year 1986.

If funded, the parties will establish a Treaty Waters Conservation Office to house biologists, enforcement officers, and other personnel involved in management of the commercial fishery in treaty waters and to serve as central location for information related to the fishery, including catch reports, assessment data, and research. The office will also provide information and assistance to fishermen and others.

(e) As a direct grant to the Tribes $250,000 to be used to implement the recommendations from the study described in paragraph 43 (a). Technical assistance to the Tribes to assist in implementing the recommendations from the study described in paragraph 43 (a). $1,500,000 for the creation of a Treaty Waters Fisheries Management Fund, which shall not relieve the DOI's existing responsibility for the continued support of tribal programs. Interest from the fund shall be used for fisheries management activities."

Requirements of the consent decree will have been met if funds are appropriated as requested in the FY 1987 President's Budget.

Question 70: Why should we fund a $20,000 public relations program?

Answer: Public relations programs are important components of inter-tribal efforts throughout the Country, and have proven valuable in promoting harmonious working relationships between Indian and non-Indian entities. The $20,000 which would be directed toward public relations efforts of the three tribes is not an unreasonable amount. Considering the strained nature of Indian/non-Indian relationships in the Great Lakes area, we believe this money would be well spent.

Question 71: Are any of the base funds being used for public relations?

Answer: No base funds are being used for public relations.

Question 72: Please provide a detailed explanation of the uses of the existing funds and the proposed increase, including an object class breakdown.

Answer: A plan for allocating existing funds by tribe and activity has not yet been developed. The Bureau is encouraging the three tribes to develop such a plan, but, so far, inter-tribal differences on how the money should be allocated have precluded development of the plan.

Fish and Wildlife Service Technical Assistance

Question 73: An increase of $247,000 is requested to reimburse the Fish and Wildlife Service for the operation of eleven hatcheries and for technical assistance. At the same time, the Bureau is proposing a reduction of $347,000 for the operation of 21 hatcheries for which a Congressional add-on was provided in fiscal year 1986. Why are the former hatcheries of greater priority?

Answer: The increase of $277,000 for the service would establish a reasonable base of funding to cover estimated operating expenses of four fish hatcheries and seven fisheries assistance offices. Stocking programs conducted through the Mescalero, Williams Creek and Alchesay hatcheries support recreational development and public use programs on 19 reservations in Arizona, New Mexico and Colorado. Fisheries assistance offices located in Arizona, Wyoming, Utah, Nebraska and Montana serve tribes requiring training and assistance in developing fish and wildlife management programs and capabilities. Unlike the Pacific Northwest and Great Lakes tribes, who have developed comprehensive fish and wildlife programs, and require little technical assistance from the Service, many tribes in the Southwest, Rocky Mountain and Great Plains regions require continued assistance from the Service.

Disease control work conducted through the Northwest Fish Health Center is vital to the functioning of numerous tribal hatcheries in western Washington. Continued operation of the Quinault hatchery supplements efforts of federal and state agencies involved in the enhancement of Pacific Northwest anadromous salmonid resources.

It is not that one is higher priority than the other. In determining distribution of our planning allowance, certain cuts had to be made and it was decided to reduce part of the funds that had been previously added on for fish hatchery operations. Conversely, funding for the agreement with FWS for the former hatcheries and the technical assistance offices had been insufficient, in addition to congressional directives regarding Alchesay and Williams Creek that required the Bureau to take funds from other proposed projects to cover the need.

Royalty Management

Question 74: Since 1984, the Bureau has funded 16 positions at an annual cost in excess of $450,000 to carry out the recommendations of the Linowes Commission. This budget requests an additional $960,000 for "corrective actions" in record keeping and royalty payments. What actions are proposed for '87 and are there additional out-year costs?

Answer: The addition of 16 positions to Bureau staff to carry out responsibilities for assistance to tribes in management of their mineral resources was in response to one of the recommendations of the Linowes Commission. The positions were added at six field locations where there was special need and at the Central Office to provide the direction, planning, regulations, etc., that were missing at that time. All but two of the positions have been filled, and they are all considered continuing permanent positions, to meet Bureau requirements in Indian mineral resources management. The funds for the positions were taken from the basic mineral resources budget available to the Bureau at that time; no added funds were provided to cover the positions.

The $960,000 for corrective actions, discussed in the FY 1987 budget, is to continue efforts recently initiated to meet the problems that have surfaced in the past several months regarding oil and gas royalty management and royalty payments. (Reference the GAO Report, the House Surveys and Investigations Staff Report, the several visits of the Inspector General's staff to our Anadarko Area, Mr. Synar's hearings, etc.) In order to assist in the resolution of those problems, these funds will be used to accomplish actions identified in the Integrated Records Management System Plan that was approved by the Assistant Secretary - Indian Affairs on April 22, 1986. The plan was the result of initial activities of the Configuration Management Committee that was established by the Deputy to the Assistant Secretary Indian Affairs (Trust and Economic Development). The Committee interviewed staff, inventoried programs, and assessed and consolidated that information into one plan covering all the various programs of the Office of Trust and Economic Development. Although the plan will eventually aid all resource programs, the first priority of the plan deals with subsurface leases.

Specifically, the funds will be used to examine and verify ownership information of all those tracts involved in producing and non-producing leases; provide resources and services to meet software needs and to train staff Bureauwide in updated efforts, using micro computers and software, to aid in bringing all of the oil and gas royalty payment problem resolutions to fruition. This may include furnishing equipment to various Bureau offices, assisting in the provision of information statements each month to Indian owners, providing the funds for mailing services, etc. Once these efforts (which are being addressed in concert with the Bureau's Office of Data Systems and working with MMS and BLM) reach an even keel and can be managed in a normal, day-to-day time frame, a share of the $960,000 may be needed to assure a continuing current status. However, since the funds to accomplish these critical needs were moved from mineral inventories and special projects, we propose that the majority of the funds will again be made available to meet the requests of tribes for mineral assessments and special projects.

Irrigation O&M

Question 75: Unpaid irrigation assessments for categories 1, 2, & 4 become a lien against the land. What is the cumulative total of such liens?

Answer: All of the unpaid irrigation assessments for Indian land in categories 1 and 4 become liens against that Indian land; and in category 2, the portion of the assessment within the ability of the Indian to pay becomes lien. Non-Indians, regardless of project category, are assessed the full cost and, if non-delivery of water does not bring forth payment, tax codes of the local jurisdiction are applied. Liens and unpaid non-Indian assessments total about $648,700.

Question 76: Have any payments on such liens been made in the last 5 years?

Answer: Yes, approximately $1,170,000 of delinquent assessments have been collected in the past 5 years.

Question 77: Were any irrigation or power O&M receipts sequestered this year?

Answer: Obligational authority for irrigation and power O&M collections was sequestered, but not permanently cancelled, in the following amounts: Irrigation, $817,000; and Power, $1,290,000.

Question 78: If so, will they be available for expenditure in fiscal year 1987?

Answer: These amounts will be available for obligation in Fiscal Year 1987.

Question 79: An increase of $2,538,000 is requested to supplement BLM funding for cadastral surveys in Alaska. The justification indicates that a memorandum of understanding will be executed between the BIA and the Bureau of Land Management. Is it proposed that BLM do all the survey work?

Answer: All surveys will be done by BLM. No final decisions have been made with regard to use of force account or contract employees to conduct the surveys under the proposed Memorandum of Understanding. Based on past experience, it is likely that a mix of force account and contracted surveys will be employed. In either case, BLM bears final responsibility for the survey product.

Question 80: Significant increases are included in several parts of the budget associated with the Indian Resources Management System. Please provide a consolidated table for the record showing current funding and proposed increases.

Answer: The table requested is as follows:

Activity	FY 1986	FY 1987	Increase
Indian Integrated Resources Information	$1,048,000	$1,296,000	+248,000
Land Records Improvement System	882,000	1,600,000	+718,000
Financial Trust Services:			
Trust Funds Management	317,000	467,000	+150,000
Trust Funds Accounting	410,000	710,000	+300,000

The IRMS (Integrated Records Management System) should not be viewed as one system that is being fed funds from all these sources. The Bureau is making a valiant effort to have an Integrated Records Management System - however, most of the items above are parts of a plan, but have very different purposes at this time. Once those purposes are met, the melding into the Integrated system should occur. The IIRIP is not one of the modules of the IRMS.

This comment is provided because we are concerned that information may be included in the above table that is not within the parameters of the committee's question; or conversely, there may be other parts that perhaps should have been included.

Question 81: According to page 184 of the justification, $225,000 will be used for training of Bureau staff in trust fund activities. Are training funds requested as part of the other IRMS increases?

Answer: No. The $225,000 will be used to provide Bureau-wide training in the system which will be implemented to upgrade the accountability in the total management of trust funds

Question 82: When will the equipment actually be installed?

Answer: The installation of the equipment will depend first on the date of appropriated funds being made available to the various programs for obligation, at which time we can submit purchase orders. After that, it will depend on processing time in the Bureau, and how rapidly the companies can deliver the equipment.

Question 83: For how long will the equipment be serviced at no charge to the government as part of the purchase contract?

Answer: Maintenance charges on each one will depend on the company and the content of the final purchase agreements with the company(ies).

Question 84: What are the new annual maintenance costs requested for all components of the system?

Answer: Annual maintenance costs will not be known until such time as the contracts are finalized. Again, we wish to alert the committee, that this is not one system, therefore, the total costs are not readily assessable.

Facilities Management

Question 85: It is estimated that $300,000 will be saved in facilities operation and maintenance through a demolition program. The justification states that the demolition will be of "boarded up" facilities. What O&M costs are there associated with "boarded up" buildings?

Answer: Electricity, heating, security, grounds maintenance, and vandalism repair are O&M costs generated by vacant boarded up buildings.

Question 86: In fiscal year 1985, new operation and maintenance funds were requested for the Cherokee law and order facility. This project is not even scheduled to receive construction funds until fiscal year 1987. How much was provided in fiscal year '85 for Cherokee and were any additional funds made available in '86 for the operation of a non-existent facility?

Answer: There were no operation and maintenance funds expended on the Cherokee Law and Order facility in FY 1985, only on a hospital facility that is to become the law and order facility. Title was received by BIA from the Indian Health Service for an existing hospital facility in FY 1983. This facility consists of 12,436 square feet. Available facility improvement and repair funds allowed BIA to advertise for the renovation of this facility as a law and order facility twice, but it was rejected by contract bidders in Fiscal Year 1983. Facility improvement and repair funds were not available for the Cherokee facility in FY 1985 or FY 1986.

During this period, the facility had to be maintained minimally with lights, heat, water, security, and grounds maintenance service.

Question 87: New funds were also provide in fiscal year 1985 for the Choctaw agency headquarters. When was that project completed?

Answer: Choctaw Agency Headquarters construction project is scheduled for completion in April 1987.

Question 88: In fiscal year 1986 new O&M funds were requested for 23 facilities. Please update the information provided for the record last year to add a column showing updated completion dates for the repair work.

Answer: New FY 1986 O&M funds were provided for the following facilities:

	Square Footage	Estimated O&M	Period of Time	Scheduled Completion Date
Wingate Elementary School	4,800	$ 5,475	1 Qrtr-year	9/05/86
Sherman Indian High School	4,000	7,660	3 Qrtr-year	2/06/86
Borrego Pass School	24,000	78,000	full-year	10/01/86
Pueblo Pintado School	12,600	43,100	3 Qrtr-year	7/22/86
Lukachukai School	4,300	14,000	full-year	10/01/86
Pleasant Point	17,740	31,467	3 Qrtr-year	1/06/86
Indian Island School	35,824	103,442	3 Qrtr-year	1/06/86
Canoncito School	25,200	81,300	full-year	10/01/86
Black Mesa School	13,600	44,200	full-year	10/01/86
Warm Springs Law & Order Fac.	11,000	45,000	full-year	10/01/86
Wind River Law & Order Fac.	3,907	5,980	3 Qrtr-year	3/15/86
Ft. Peck Law & Order Fac.	2,000	4,500	2 Qrtr-year	4/01/86
Peach Springs Detention Ctr.	7,600	6,521	1 Qrtr-year	6/30/86
Northern Cheyenne Detention Ctr.	1,200	2,700	2 Qrtr-year	4/01/86
Crow Creek Law Enforcement Ctr.	2,800	12,600	1 Qrtr-year	8/25/86
Olympic Peninsula	3,300	2,676	1 Qrtr-year	7/31/86
Supai Detention Center	900	718	1 Qrtr-year	6/30/86
Fort Yates Law Enforcement Ctr.	8,200	36,900	1 Qrtr-year	9/21/86
Indian Township School	34,000	38,000	1 Qrtr-year	7/31/86
Blackfeet Agency Warehouse	1,900	2,600	2 Qrtr-year	6/30/86
Rocky Boy Detention Center	5,000	10,600	2 Qrtr-year	6/30/86

	Square Footage	Estimated O&M	Period of Time	Scheduled Completion Date
Isleta Day School	4,339	8,400	2 Qrtr-year	6/30/86
Zia Day School	4,738	9,100	2 Qrtr-year	6/30/86
TOTAL	232,951	$594,939		

Management and Administration

Question 89: An increase of $106,000 is requested for central office staff executive direction and equal employment opportunity. According to the justification, these offices have been underfunded for several years. Doesn't the funding situation reflect prior Bureau budget proposals, only partially approved by Congress, to reduce Bureau administrative costs?

Answer: The funding requirements have been identified in the past and actions have been taken to reduce costs. However, FY 1986 Congressional action reduced this account by $102,000 for the Public Information office and also imposed a funding level of $270,000 for Congressional and Legislative Affairs which was above the amount originally budgeted for that office, thereby decreasing the amounts available for distribution to the remaining offices under Executive Direction. This action created deficits in the Office of Public Information, Bureau Controlled Correspondence, and Equal Employment Opportunity, which hampered operations. Therefore, $106,000 is requested to provide minimum operations.

Question 90: An increase of $76,000 is requested to develop excepted qualifications standards in response to the court decision in Heckler vs. Preston. When was that court decision and were instructions given by the court as to a time frame for having these standards in place?

Answer: The 9th Circuit Court rendered its decision on June 7, 1984, which involved the Indian Health Service, and the Department of Health and Human Services. The decision did not impose a time-frame; however, considering the multitude of occupational standards in use, the monumental task was begun immediately by the IHS. While the BIA was not directly involved, the Court decision stated "that the Indian Preference Act requires the IHS to adopt separate and independent standards for Indian applicants," which led to the BIA's decision to become involved with the IHS in the development of Excepted Qualification Standards to evaluate Indian applicants/employees for employment.

The BIA had 20 approved Excepted Qualification Standards at the time of the court decision; however, the BIA now has 141 approved standards. The BIA established task force groups to undertake a review of the various specialties to determine if changes in the standards should be recommended. The total cost of the 3 task force groups to study Forestry, Social Work and Realty Standards was $30,000. BIA subject matter experts and Personnel staff assigned to each standard spent more than 1,000 manhours on each standard.

Therefore, to complete the task of reviewing the remaining 138 standards, the Bureau intends to contract the project so that staff will not be diverted from daily work requirements.

Question 91: Increases totalling $289,000 are requested for contract management systems and financial management. Please provide a detailed breakdown of the request (equipment, personnel, training, contracts, etc.).

Answer: The requested increase for the contract management system is $166,000. This will be used to hire a GS-11/12 Procurement Analyst with a background in ADP systems and systems analysis. Other expenditures will include:

a) The continued development of the Bureau's Automatic Procurement Data System (APDS) to track contract awards and collect specific data required for the Interior Procurement Data System (IPDS).

b) Provide onsite training (including travel costs) and technical assistance to 14 procurement offices.

c) Commence work on other related programs, such as:

1) An integrated Management Information System to provide a methodology for tracking a procurement from the inception of a procurement request to contract closeout;

2) A network with the personal computers at 14 Area/Central Office with a Time Sharing Program (TSP) contractor for central storage, query and analysis of contract data;

3) A computer data base for Internal Control Review systems; and

4) An interface system with the Bureau's Finance system to track obligations, contract payments, debt collections and compliance with statutes.

The $123,000 increase requested for financial management will be used as follows:

a) To establish and fill an understudy position for the Bureau Budget officer position, whose incumbent plans to retire in FY 1988;

b) To hire two additional analysts to provide a higher degree of expertise in fund control and analysis activities;

c) To provide intensive training for current staff; and

d) To cover travel and tuition costs associated with staff training.

Question 92: Additionally an increase of $330,000 is requested for the financial accounting system. How does this differ from the above request?

Answer: Part of the increase of $330,000 will be used for the Bureau's Commitment Accounting System. Depending on the scheduled implementation of a Departmental Accounting System, the remainder of the increase will be used as follows:

If the Bureau is scheduled to implement early, the FY 1987 funding will be used to pay for equipment, training, and other related costs for implementing the new system. If the Bureau is scheduled for late implementation, the funding will be used to continue to correct the control weaknesses, provide oversight at field locations to assure that previously implemented corrective actions are being maintained, and continue current system maintenance until the new system is in place.

Construction Management

Question 93: $300,000 is requested to begin a demolition program. When will the list of facilities to be demolished be available?

Answer: Attached is a list of buildings identified for demolition or transfer to tribes. The list is being reviewed for historical clearance. As soon as clearance is received demolition will begin.

(Clerk's note.—The list is included in the committee's files.)

Question 94: Isn't it normal practice to include the demolition cost of unusable existing structures in the cost of new construction?

Answer: New construction only covers demolition of unusable facilities being replaced. Abandoned buildings at all sites are included in the demolition request.

Question 95: Why shouldn't this activity be handled within the FI&R budget?

Answer: For the FY 1988 budget, we are proposing that demolition be included within the FI&R budget.

Consolidated Training Program

Question 96: An increase of $1,350,000 is requested to initiate a Federal Indian Service Officer Development Program. Please include in the record a copy of the action plan which is to be developed in May.

Answer: See attached "Consolidated Training Program 1987".

CONSOLIDATED TRAINING PROGRAM FY 87

"INDIAN SERVICE CAREER MANAGEMENT SYSTEM"

INTRODUCTION

There has, during the past several years, been a perceptable drain on long-term institutional experience at the mid and top grade levels of the Bureau. The retiring and transferring non-Indian employee group constitute a high percentage of mid and top level management staff. Their departure places the Bureau at a disadvantage, since very few Indians have been designated and trained to fill these positions. The FY 1985 Senate Appropriation Report Language directs that the BIA should supplement the use of proper standards by serious efforts to recruit and train Indians to improve the quality and efficiency of the services provided by BIA.

Although the Bureau currently spends approximately two million dollars each year on training, this expenditure does not begin to meet the over-all training needs of the Bureau employees. The one million three hundred fifty thousand dollars requested for training in FY 87 is about one third the amount needed to begin to meet the basic training needs of the Bureau. The Bureau is faced with the problem of where to find the necessary funds to train Bureau employees and not reduce funds going to tribal programs. Each dollar the tribe spends goes to help feed, educate and provide housing for its tribal members. Therefore, resources used to improve Bureau operations, at the expense of the tribes, cannot be accepted by the tribes due to fewer dollars available for basic services.

During the past four years the Bureau has taken a number of steps to strengthen employee recruitment and development which have been helpful. Over the short term, a system of better career management can be implemented to meet the basic needs. For the longer term, however, the Bureau needs to work on deeper problems of human resource management. There is a pressing need to educate and motivate capable Indians to develop careers in the Bureau of Indian Affairs. To do this, the Bureau must develop and instill a strong fundamental understanding of the needs of Indian service and the legal, social, and administrative structure upon which such service rests.

The Bureau proposes to establish an education and training program to provide in-service training and formal education opportunities for Indians who seek successful careers with the Bureau. This approach has been successfully implemented by other Federal agencies who, like the Bureau, have special and immediate requirements to train and educate large numbers of people. The Bureau strongly advocates a concept that academic institutions provide the best learning opportunities because of their established purpose. In addition, once they have developed a curriculum of study, they can continue to provide and update these courses routinely without new high costs each year. The Bureau has in the past relied heavily on private contractors to meet specialized training needs. The results have generally been minimal and transitory, since there is no guarantee that the same contractor will be available to continue the training in future years. Therefore, this program will rely heavily on established academic institutions to develop and provide curriculum to meet the Bureau's training and education needs. This effort will be reinforced by in-service training and orientation.

The proposed education and training program will be centrally managed. Training and education requirements will be identified, justified and presented to the Deputy Assistant Secretary - Indian Affairs for determination of priority.

The proposed funding will be used to develop the plans and curriculum for implementation; for individual training expenses including course fee/tuition, in some instances salary, travel, and per diem/subsistence; and for instructors, materials, and facility expenses.

Level of Training Program Participation

The results of a recent training and occupational needs survey has provided Bureau management with information upon which priorities for training programs can be determined. There isn't enough money in the projected FY 87 budget to do all the training required but there is seed money to start training in several key programs. These programs, with projected numbers of participants and costs, are provided in the following illustrations.

ENTRY LEVEL DEVELOPMENT PROGRAM

BACKGROUND

The results of a recent Bureau-wide occupational needs survey has shown that over the next five years the Bureau has a great need to fill vacancies in those traditionally hard to fill occupational areas. In order to meet this need and provide competent journeyman level employees in adequate numbers, the Bureau must look to its entry level training program to help meet the need.

PURPOSE

The Entry Level Development Program is initiated to enable the Bureau to commence locating and recruiting highly qualified candidates in occupations which have been identified as shortage categories where there is a need for Indian employees.

PROGRAM DESIGN

The program design calls for the establishment of developmental positions with duty stations at various locations which affords a complete work experience in the occupational need area. Each entry level trainee will be under the supervision of a full performance journeyman who provides the developmental assignments and direction to the trainees. Program participants who meet the Federal qualification standards will be competitively selected at the GS-5/7 entry levels. They will be provided with individual development plans and assisted by the journeyman supervisor from entry level to the full performance GS-9/11 grade levels. Upon reaching the full performance level, the trainee will be laterally reassigned to a full-time permanent vacancy.

Budget

Entry Level Development Program
100 participants - GS-5/7/9

Travel/Per Diem	$500 x 100 =	$50,000
Formal Training	$1,000 x 100 =	$100,000
Total		$150,000

COOPERATIVE EDUCATION PROGRAM

BACKGROUND

Cooperative Education is an arrangement which provides individuals with periods of study interspersed with periods of study-related employment. It provides periods of study-related, fully paid employment for students in 2-year or 4-year colleges who are pursuing a curriculum in which the work experience is prerequisite to the award of a degree. The program is conducted in accordance with a planned schedule and a working agreement between the employing agency and the educational institution.

PURPOSE

Implementation of the Cooperative Education Program will serve the Bureau of Indian Affairs by providing academic training in technical and professional fields to individuals, thereby qualifying them to enter the Federal service in technical or professional occupations. It will provide the Bureau with Indian professionals prepared by work experience in positions with career potential within the Bureau.

PROGRAM DESIGN

The Cooperative Education Program permits competitive selection for career jobs on the basis of proven performance; provides a means of directing students, according to their interests, toward occupations that promise career opportunities; reduces the cost of the high rate of turnover that is characteristic of the first three years on a job. The work study agreement provides a thirteen week work assignment each year with the Bureau with the remainder of the year spent in academic study. The primary benefit of this program to the Bureau is that it provides an excellent recruitment resource to fill entry level positions in those hard to fill occupational groups.

Budget

Cooperative Education Program
Entry Level GS-3
With 5 FTE 20 Coop Students can work each year.

Salary		11,458
Benefits	10%	1,145
		$12,603
	12,603 x 5 =	$63,015
Travel/Per Diem	$500 x 20 =	$10,000
Formal Training	$2,500 x 20 =	$50,000
Total		$123,015

EXECUTIVE MANAGEMENT PROGRAM

BACKGROUND

The Executive Management Program is a management development program designed to enhance specific competencies of potential and encumbent Bureau managers.

To implement this policy, the BIA will operate an Executive Management Program (EMP). The EMP is designed to: (1) identify and evaluate the most capable candidates for managerial/executive positions; (2) develop incumbent managers/executives in a planned and systematic manner and (3) place managerial/executive personnel effectively.

PURPOSE

The Executive Management Program is a system through which the placement of qualified individuals in management positions throughout the Bureau is implemented.

PROGRAM DESIGN

As vacancies occur within the Bureau a list of applicants will be provided to management providing qualified individuals for possible selection. The competency level of each applicant will be matched with the competency requirements of the positions which are vacant. The applicant list will then be ranked in order of qualification for each career field. This is necessary for expediency in the filling of all vacancies at the management level.

Employees in the Executive Management Pool may be selected to fill vacancies (by promotion or reassignment), without further competition. However, they must have completed requirements toward satisfying competency levels for the vacant position or have scheduled developmental activities for satisfying competency requirements within six months of selection to a new position.

The developmental activites will be recorded on the employee's Individual Development Plan.

Budget

Funding support for BIA participants in the Departmental Manager Development Program (DMDP).

Salary 4 participants		$145,599
Benefits 10%		14,559
		$160,158
Travel/Per Diem	$10,000 x 4 =	40,000
Formal Training	4,000 x 4 =	16,000
Total		$216,158

Executive Management Program Management Development

50 participants

Travel/Per Diem	$1,000 x 50 =	$50,000
Formal Training	2,000 x 50 =	100,000
Total		$150,000

Departmental Management Development Program	$216,158
Executive Management Program	150,000
Total	$366,158

PROFESSIONAL SOCIAL WORK TRAINING

BACKGROUND

Recruitment of professionally trained social workers qualified for social work positions has been historically difficult for the Bureau of Indian Affairs. This difficulty is directly related to the relatively remote, underdeveloped rural areas where staff openings usually occur. Another facet of this general problem is the desirability of employing professionally trained social workers who are also of Indian ancestry. Although the Bureau has initiated efforts in the past to provide professional social work training, professional social workers are simply not available in numbers sufficient to meet even minimum staffing requirements nationwide.

PURPOSE

The purpose of the Professional Social Work Training Program is to enable the Bureau to provide sponsorship of long-term professional training opportunities for Bureau social services personnel. These training opportunities are directly related to the acknowledged short supply of professionally trained social workers interested in reservation work. An additional benefit is the provision of needed support for professional training of social workers who are of Indian ancestry.

PROGRAM DESIGN

The program design calls for the selection of 10 students for FY 1987 and would include the expense for salary, travel, relocation, and tuition. Selection will be made from the incumbents of Social Service Representative positions. Selection will be based on interviews, evaluation, previous work history and demonstrated ability to assume professional responsibilities. The Professional Social Worker Training Program will be under the general supervision of the Chief, Division of Social Services and will be coordinated with the Training Division, Central Office.

Budget

One year costs for 10 employees average grades GS-7/9

Salary (Average)	$20,000 x 10 =	$200,000
Travel/Per Diem	2,000 x 10 =	20,000
Relocation	8,000 x 10 =	80,000
Formal Training	4,000 x 10 =	40,000
Total		$340,000

IN-SERVICE TRAINING AND ORIENTATION

The in-service training would address those management competencies and skills essential to Bureau employees for successful implementation of programs. Based on a recent Bureau-wide training needs survey, the in-service training would include, but not be limited to the operation and maintenance of basic management systems, i.e., financial management, personnel management, office automation, real property management, audits, contracting, property management etc.. Further, the requirements of applicable legislation and regulations, and the essential elements of effective program management, including monitoring and evaluation, would be covered. Such training would also concentrate on the basic requirement of the Bureau staff to work effectively with tribal staff in the preparation of realistic program work plans, supporting financial budgets and internal management controls for program operations. It would also include the development and maintenance of financial status and program progress reporting procedures.

An integral part of the in-service training will be an intensive orientation for Bureau staff in Tribal Self-Determination as National Indian Policy as well as the crucial role of Bureau staff in working with tribes to achieve the objectives of this policy. The orientation will emphasize the significant role of Bureau staff in encouraging and supporting tribes as they assume an ever increasing role in the development and implementation of programs for Indians.

Contracting Officer - Warranting at the 1-4 Levels. About 250 Levels I & II contract specialists with about 150 courses per year with average course cost of $1,000.

$1,000 x 150 = $150,000

Lower graded contract specialists developmental training for warrant purposes. About 50 people for an average course cost of $1,000.

$1,000 x 50 = $50,000

Total = $200,000

Trust Fund Management. Based on 50 employees, 3 day course to 3 weeks, based on training need survey. Average cost of course $800.00

$800.00 x 50 = $40,000

Royalty Management

Based on 50 employees, 3 day course to 3 weeks, based on training need survey. Average cost of course $800.00

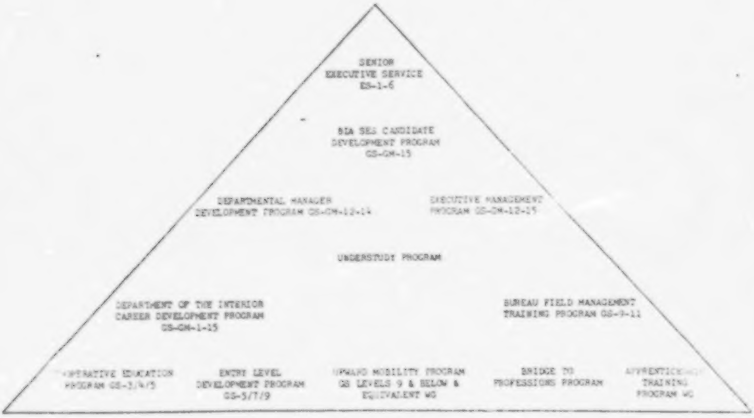
$800.00 x 50 = $40,000

Total = $80,000

Superintendent Orientation. 30 superintendents/year. Each Superintendent spends 1 month/year in Washington, DC.

Travel/Per Diem	$3,000 x 30 =	$90,000
Other Expenses	=	827
Total		$90,827

Entry Level Development Program	$150,000
Cooperative Education Program	123,015
Executive Management Program	366,158
Professional Social Work Training	340,000
In-Service Training & Orientation	370,827
Total	$1,350,000


SENIOR EXECUTIVE SERVICE ES-1-6
BIA SES CANDIDATE DEVELOPMENT PROGRAM GS-GM-15
DEPARTMENTAL MANAGER DEVELOPMENT PROGRAM GS-GM-12-14
EXECUTIVE MANAGEMENT PROGRAM GS-GM-12-15
UNDERSTUDY PROGRAM
DEPARTMENT OF THE INTERIOR CAREER DEVELOPMENT PROGRAM GS-GM-1-15
BUREAU FIELD MANAGEMENT TRAINING PROGRAM GS-9-11
COOPERATIVE EDUCATION PROGRAM GS-3/4/5
ENTRY LEVEL DEVELOPMENT PROGRAM GS-5/7/9
UPWARD MOBILITY PROGRAM GS LEVELS 9 & BELOW & EQUIVALENT WG
BRIDGE TO PROFESSIONS PROGRAM
APPRENTICESHIP TRAINING PROGRAM WG

CAREER PATHS

Attachment 1

CONSOLIDATED TRAINING PROGRAM

	FY 87	FY 88	TOTAL
ENTRY LEVEL DEVELOPMENT PROGRAM	$150,000	+ $220,339	$370,339
COOPERATIVE EDUCATION PROGRAM	123,015	123,015	123,015
EXECUTIVE MANAGEMENT PROGRAM	366,158	+ 75,000	441,158
PROFESSIONAL SOCIAL WORK TRAINING	340,000	340,000	340,000
IN-SERVICE TRAINING & ORIENTATION	370,827	370,827	370,827
UNDERSTUDY PROGRAM	- 0 -	221,790	221,790
EMPLOYEE DEVELOPMENT FUNCTION	- 0 -	132,871	132,871
TOTAL	$1,350,000	- 0 -	$2,000,000

CONSOLIDATED TRAINING PROGRAM

Attachment 2

	FY 87		FY 88		TOTAL
Entry Level Development Program	100	participants, Budget for travel/per diem, formal training	+ 10	participants, GS-5 positions, salary	10
			+ 50	participants, travel/per diem, formal training	150
Cooperative Education Program	20	participants, Budget for salary, travel/per diem, formal training	20	participants, salary, travel/per diem, formal training	20
Executive Management Program	4	participants, Budget for DMDP salary, travel/per diem, formal training	4	participants, salary, travel/diem, formal training	4
	50	participants, MDP Budget for travel/per per diem, formal training	+ 25	participants, travel/per diem, formal training	75
Professional Social Work Program	10	participants, Budget for salary, travel/per diem relocation, formal training	10	participants, salary, travel/per diem, relocation, formal training	10
In-Service Training & Orientation	300	participants, Budget for contracting, realty/trust, formal training	300	participants, Contracting, realty/trust, formal training	300
	30	participants, Superintendent Orientation, travel/per diem	30	participants, Superintendent Orientation, travel/per diem	30
Employee Development Function			6	participants, salary, travel/per diem, formal training	6
Understudy Program			5	participants, salary, travel/per diem, formal training	5
TOTAL	514				610

Question 97: It is proposed that formal education be provided for Indians who seek a career with the Bureau. Would there be a service obligation on the part of anyone in a such a program?

Answer: Yes. Anyone provided formal education/training of over 80 hours through a non-Government facility incurs, by law, a minimum continued service obligation of three times the length of the education/training period involved (FPM 410,5-7).

Exception to the requirement is made when there is no cost to the Government other than for pay. Exceptions may also be made for correspondence courses and training provided by manufacturer as a service for the purchase or lease of their products provided the training does not exceed 80 hours.

Question 98: Have academic and/or training institutions been selected to operate the program?

Answer: No, the Bureau will operate the program. However, individualized training may involve academic and/or training institutions.

Question 99: What qualifications will such institutions have to meet?

Answer: The institution(s) would have to be competent to provide the particular training needed, be accredited, not discriminate in the treatment of students, not teach or advocate the overthrow of the U.S. Government, not attempt to influence legislation, or participate in a political campaign on behalf of any candidate for public office (FPM 410, 3-4).

Question 100: Provide for the record a breakdown by program of all training funds currently in the Bureau budget and increases requested for fiscal year 1987.

Answer: At this time, we cannot answer this question. Training is not treated as a separate function or object classification in the budget. Therefore, training costs are lumped with various other categories of expenditure. However, based on experience, we estimate that approximately $2,000,000 will be expended in all program areas in FY 1986 and $1,800,000 in FY 1987.

Question 101: Please provide a more detailed explanation as to the proposed use of the funds. For example, how many individuals will be trained, how will they be selected, what is the estimated cost of the program per trainee, will the trainee be required to enroll in a program of study which meets an identified shortage in the BIA, or will there be latitude in this area?

Answer: For more detailed explanation as to the proposed use of the funds please see attachment, "Consolidated Training Program FY 1987".

During FY 1987 we propose to train 514 individuals in the programs described in the attachment. The estimated cost of the program per trainee is approximately $2,626.00.

Question 102: BIA funding for scholarships, fellowships, adult education, tribally controlled community colleges, post secondary schools, adult vocational training is in excess of $70 million. As it is obviously in the interest of all tribes to have qualified persons working at the Bureau of Indian Affairs, why shouldn't we simply redirect about 2 percent of these available funds to initiate the training program?

Answer: The funds identified above are funds which are included in the Tribal Band Analysis process and classified as components of an overall tribal ranking package. To withdraw funds from the existing base for upgrading federal employee competencies even at two percent of available funds without tribal consultation would be counter to tribal self-determination. Those tribes which gave scholarships, etc., higher priority and maximum funding would be penalized, while those tribes which included little or no funds for these purposes would not be contributing. Secondly, if training is needed to upgrade federal employee skills, these funds should be targeted as we have done and presented to the appropriation committees for funding consideration.

Question 103: On an annual basis, how many positions at the GS-12 level and above become vacant?

Answer: There were 122 GS-12 and above vacant positions in calendar year 1985.

Question 104: Of these, how many remain vacant for more than 6 months due to lack of qualified applicants?

Answer: There were 36 vacancies beyond 6 months Bureau-wide and the primary reason for the prolonged vacancies is lack of funds. Very few extended vacancies are created because of a lack of qualified applicants.

Alaska Reductions

Question 105: The budget proposes terminating most programs in Alaska. In many areas, the justification for such reductions seems dubious. One reason given is that 30 percent of Alaskan Natives live in urban areas. What percentage of the members of federally recognized tribes live in urban areas?

Answer: In the lower 48 states, almost all BIA services are restricted to on-reservation, non-urban members of federally recognized tribes. Thus, the proposal for Alaska would be consistent with policy applying to Indians everywhere. Alaska Natives, currently receiving BIA services who reside in urban areas or villages with municipal governments providing local services and/or channeling resources and services from the State, can apply for such services from these sources. Generally speaking, this is not the case in the lower 48, where BIA services are provided to Indians living on or near reservations, who are not citizens of municipalities offering similar services. Based on the list of incorporated places provided for the Congressional Record on June 16, 1983, 111 of 197 "native entities" (56%) were incorporated as of 1980 (see attached). In addition to the fact that these incorporated municipalities can receive State grants, there are other factors which distinguish the Alaska population from the lower 48 receiving BIA services. Because the U.S. never signed treaties with Alaska Natives, there are no tribal treaty rights to be protected. Thus, less BIA spending for rights protection in Alaska is necessary, and it should be limited to that needed to meet requirements of specific statutes (e.g. ANCSA, ANILCA, the Alaska Native Allotment Act, and the Alaska Native Township Act). Third, there is no tribal trust land in Alaska (except Metlakatla, which is not subject to the proposed reductions and small parcels of a few acres in four villages in southeast used for canneries) to warrant the continuation of the same natural resource management programs designed for application in the lower 48 reservations. The absence of tribal trust lands and reservations also make it difficult to justify funding programs such as road maintenance (which is only authorized to service "Indian reservation roads" under 25 USC 318a).

Question 106: Scholarships are proposed to be reduced due to the availability of state-funded scholarship and loan programs. What are the states in "Indian country" which do not offer state funded scholarship and loan programs?

Answer: While it is our understanding that in all states students may receive Federally funded guaranteed student loans, Alaska offers up to $6,000/per student per year of special state student loans. "Indian country" states where there are no special scholarships for students include South Dakota, North Dakota, New Mexico, Arizona, and Oklahoma.

Question 107: The adult education program is said to be duplicative of other Bureau programs. If it's duplicative in Alaska, isn't it duplicative Bureauwide?

Answer: The use of the term duplicative was in error since eligibility under the Bureau's adult education program requires that there be no other source for the training provided. Other programs of a similar nature are available from the U.S. Department of Education, and other Bureaus, as well as from State, and other local sources.

Question 108: What is the average number of participants in the Alaska adult education programs compared to the average number of participants in programs in each of the other areas of the BIA?

Answer: There are an average of 1,850 participants in the Alaska adult education program compared to the national total of about 13,000. The average for other areas is slightly over 1,000 each, but it varies significantly among areas.

Question 109: The service was proposed for termination because there are no reservation tribal trust lands in Alaska for which the Bureau has a management responsibility. The agriculture extension service is proposed for termination because it only serves 40 percent of the agency locations in Alaska. Bureauwide, what percentage of agencies operate an agriculture extension service?

Answer: Bureau-wide approximately 20 percent of the tribes participate in the agriculture extension program.

Question 110: Don't land grant colleges in all States operate agriculture extension services -- not just the University of Alaska, which you propose, could pick up the work done by the Bureau?

Answer: Yes, the land grant colleges do operate agricultural extension services, and the Bureau currently has a contract with 9 colleges to provide services on reservations.

Question 111: A reduction of $400,000 is proposed for self-determination grants to "bring the Alaska program in line with the policy applied in the lower 48." Isn't this program part of the Indian priority system in the "lower 48?"

Answer: While Self-determination grants are part of the Indian priority system in the "lower 48." The decrease for the Alaska grant program is to make it more consistent with the lower 48 program by providing grant funds only to recognized non-urban Alaska Native villages. Currently, five urban Native groups receive a relatively large portion of the grant funds. These grants will be discontinued.

Question 112: Adult vocational assistance and other employment assistance are proposed for termination due to "improvements in the State's economy." In view of the current price of oil, what is the Bureau's view of the present Alaskan economy?

Answer: The Bureau's view of the Alaskan economy (in light of the current price of oil) is somewhat less optimistic than when the budget was prepared. However, it should be noted that the long term price of oil will probably rebound to higher levels (this process has already begun). Also, improved tourism, Department of Defense spending, particularly in the Fairbanks area, and Native Corporations contribution of 1/2 billion dollars to the economy per year all will help offset the economic setback of temporarily-reduced oil prices. Additionally, the State of Alaska still has no personal income tax and has the permanent fund savings account from which each citizen is receiving about $500/year in dividends.

Also, an indirect result of previous expenditures by the state on public works (with oil revenues), IHS expenditures for sewer and water facilities, HUD housing expenditures, and ANCSA Corporation expenditures has been a definite increase in jobs available near non-urban Native homes. These expenditures have also helped the regional distribution centers (e.g. Bethel, Barrow, Nome) add businesses and employment opportunities. So while oil industry employment is down as is employment in general in Anchorage and Juneau, the non-urban areas are not so adversely affected.

Fort Hall Fish and Wildlife Program

Question 113: Congress provided funds in fiscal year 1986 to enable the Shoshone-Bannock tribes to improve their fish and wildlife program. Are funds for a continuation of this program contained in the budget?

Answer: Yes, funds for Fort Hall in 1986 were $185,000, this level of funding is continued in FY 1987 under Other fish, wildlife, and recreation management.

Construction - Buildings and Utilities

Question 114: The justification indicates that facilities improvement and repair funds are used for demolitions. What is the justification for establishing a separate $300,000 program under the operations account?

Answer: Facilities Improvement and Repair (FI&R) funds are only used for demolition when it is part of a specific FI&R project. The demolition project to be done under the separate line item are those not specifically related to FI&R projects.

Contract Support

Question 115: Have any construction contracts received contract support funding during the past three years (other than housing when it was funded under OIP)? If so, please indicate which projects, the amount provided, and the justification.

Answer: No.

Irrigation Systems

Question 116: Of the funds requested for Irrigation construction, $1 million is requested to begin responsibilities of the Flathead irrigation system. What is the total estimated cost of this rehabilitation?

Answer: In the Flathead Irrigation Project Comprehensive Study, $9.2 million was estimated as the approximate need for the rehabilitation of the irrigation water distribution system.

Question 117: When will the Bureau of Reclamation complete its engineering evaluation?

Answer: The engineering evaluation has not been started. The Bureau of Reclamation management team is expected to be in place by September 1, 1986. The management team will conduct the evaluation shortly thereafter.

Question 118: Specifically, what work will be accomplished with the funds requested for Flathead?

Answer: There are no specific work plans at this time. The management team is expected to formulate work plans by the end of August.

Question 119: Flathead has power generation facilities associated with the irrigation project. The money derived from the sale of power is to be used to operate and maintain the irrigation project. What is the current balance in the Flathead collections account?

Answer: As of March 30, 1986, the balance in the power collections account was $1,470,941. Section 2(k) of the Act of May 25, 1948, (62 Stat. 269) prescribes the order of priority for annual disposition of net power revenues. The annual operation and maintenance costs of the irrigation system are sixth in order of priority: (1) liquidation of power construction costs; (2) liquidation of irrigation construction costs; (3) liquidation of unmatured installments of power construction costs which will mature at a date not later than the maturity of any unliquidated irrigation construction costs; (4) liquidation of unmatured installments of irrigation construction costs which will mature prior to the maturity of any unliquidated power construction costs; (5) liquidation of construction costs chargeable against Indian-owned lands, which costs were deferred under the Act of July 1, 1932; and (6) liquidation of the annual O&M costs of the irrigation system.

Question 120: What are the annual operations and maintenance costs of the Flathead project?

Answer: The annual operation and maintenance cost for the power system is $9,300,000 and for the irrigation system is $1,500,000.

Question 121: Senator Melcher has had some concerns about Flathead in the past. Is this proposal in line with the current understanding you have with the Senator from Montana?

Answer: Yes, we believe we have responded to the concerns of Senator Melcher.

Question 122: Since fiscal year 1983, more than $27 million has been provided for the Papago water rights settlement. Please provide a detailed description of work completed to date.

Answer: The FY 1983 Supplemental Appropriations Act contained $15 million for the Trust Fund and $5,250,000 for the Cooperative Fund authorized in the Southern Arizona Water Rights Settlement Act of 1982. Funding of $1 million in FY 1985 and $1,340,000 in FY 1986 is for the study on the Sells Papago Reservation to determine the availability and suitability of water resources on the main reservation. This study or water inventory is just getting underway under a P.L. 93-638 contract to the tribe by the Bureau of Indian Affairs, Phoenix Area Office.

Most of the remaining funds appropriated are to improve and extend the existing irrigation system on the San Xavier Reservation and to design and construct an irrigation system within the Schuk Toak District. As specified in the Settlement Act, funds for the irrigation systems have been transferred to the Bureau of Reclamation. Reclamation, in turn, has entered into a P.L. 93-638 contract with the tribe for work performance. The work is divided into three segments or units comprised of (1) San Xavier rehabilitation of existing system, (2) San Xavier extension (new), and (3) Shuk Toak. The environmental studies are nearly completed on all three areas with the Environmental Assessments ready for review. Other pre-construction activities underway include exploratory well drilling and preparation of developmental plans. Actual construction is expected to commence within two months.

Question 123: What are the current unexpended balances available for Papago?

Answer: The current unobligated balance available for the Papago project is $30,679.

Engineering and Supervision

Question 124: The funds requested for engineering and supervision of irrigation construction seem to have little relationship to program activities. Over the past three years, the total irrigation construction program has varied from $5.7 million to over $18 million, yet the amounts for engineering and supervision remain stable. What is the reason for this?

Answer: The cost of the core staff for irrigation construction engineering and supervision remains relatively constant. Fluctuations in project funding are reflected in A and E Contracts directed to private firms or P.L. 93-638 contracting with tribes. A basic or core staff is maintained to direct and monitor the irrigation construction and rehabilitation program at the Area and Central Office levels.

Milk River Irrigation Project

Question 125: Has the BIA yet responded to the Inspector General's report on the Milk River Irrigation Project? If so, please provide a copy of the response for the record.

Answer: Yes. A copy of the May 2, 1986 response by the Assistant Secretary to the final audit report is attached for the record. Copies of the attachment to the response will be furnished separately.

MAY 2 1986

Memorandum

To: Inspector General

From: Assistant Secretary - Indian Affairs

Subject: Final Audit Report - Rehabilitation and Completion of the Fort Belknap Irrigation Project (C-IA-BIA-47-84 (c))

Attached is the Bureau of Indian Affairs' formal response to the two recommendations contained in the above referenced final audit report. For purposes of clarification, we are providing background information and a summarization of events and activities which have occurred since the draft and final audit reports were issued.

Although the Bureau of Indian Afairs did not transmit a formal response to the draft report, which was issued on August 22, 1985, two relevant events occurred. First, the Billings Area Office did respond to the draft audit. A copy of their response, dated September 6, 1985 and directed to the Acting Assistant Secretary - Indian Affairs is attached (Attachment No. 2). The response by the Area Office provides reason to question numerous findings in the draft audit. Regretfully, the Bureau failed to supply a formal response to the draft report, and those issues raised by the Area Office, which could have had a significant bearing on the issuance of the final report, were never communicated to you. Secondly, the Acting Deputy Assistant Secretary did, in response to the draft report, direct the Office of Trust Responsibilities to convene a three member irrigation engineering team from outside the Billings Area jurisdiction to perform an on-site review of the Fort Belknap Irrigation Project, the irrigation program of work, work-plans, schedules and other attendant activities related to the project. A copy of the report of that review team is attached (Attachment No. 3). The on-site, initial review was completed in October 1985 from which they concluded that money appropriated for the project was being properly utilized and work should continue in accordance with an approved Irrigation Program of Work. Unfortunately, the Bureau failed to provide a reporting to your office and the Senate Committee in response to the recommendation and instruction respectively from each. Nor did the Bureau suspend funding on the project.

Current executive leadership in the Bureau, all of whom assumed their posts after the issuance of the draft audit report, were not aware of the Bureau's failings in this matter until receipt in March 1986 of the Final Audit Report. Subsequently, verbal instructions were immediately given to the Billings Area to suspend funding on the project pending resolution of the outstanding audit. The suspension of funding proved insignificant since $968,858 of the original advice of allotment of $980,000 ($1 million less 2 percent) was already obligated at the time of the instruction. Due to its insignificance the suspension was lifted after consultation with the Senate Committee.

Managerial measures are now being instituted to prevent the recurrence of the breakdown in communication and responsiveness that occurred in this audit history, including the reassignment of responsibilities for preparing audit responses to the appropriate Deputy to the Assistant Secretary or Area Director, depending upon the subject of the audit. Also, responsibilities for triggering administrative actions and exception reporting plus tracking work schedules are being re-examined in the Office of Administration.

Some background information specific to this irrigation project is also in order. Irrigation was first attempted on this reservation in 1893. Sporadically, additions and extensions were provided. Under the 1908 decision of the Supreme Court in Winters v. United States, Fort Belknap was decreed a first priority right to 5,000 miners inches of the waters of the Milk River, believed sufficient to irrigate at least 10,000 acres. It is quite likely that calculations relating to irrigation development at Fort Belknap Indian Reservation have never shown a positive ratio of direct benefits to cost, due to harsh climate, short growing seasons and inability to produce high value crops. Still, the land resource and its use must be considered both in terms of direct and indirect benefits for providing livelihood opportunities for the tribes that reside there. Further, one could philosophically argue a case of breach of faith on the part of the government to let the water right at the birthplace of the Winters Doctrine go by default for failure to use.

The Completion Report for the Fort Belknap Irrigation Project, dated January 1967, and revised in August 1968, (Attachment No. 4) was never approved by the Secretary, perhaps because the benefit/cost ratio of the project was shown to be .84.1, based upon primary (direct) benefits only, and 1.51:1 based on total benefits. It is noted that the final audit referenced the .84 to 1 primary benefit ratio only and failed to reference the 1.51:1 total benefit ratio. The Bureau would argue on behalf of the Tribes that total benefit is the more relevant ratio.

In response to an inquiry in 1971 from then-Congressman Melcher, the Assistant Secretary suggested legislation to authorize the rehabilitation and completion of the project and to make the costs non-reimbursable. Such legislation was never enacted, but operational problems on the existing irrigation system have continued to intensify with age, and potential irrigable lands remain unserved.

The Fort Belknap Community Council persuaded the Congress to authorize the project and provide the first of three $1 million increments in FY 85 to rehabilitate and complete the project. The Bureau did not request irrigation construction money for the project in FY 1985. The first increment was added to the Bureau's budget by the Congress. Nor did the Bureau request construction funds for the project in FY 1986. Further, the Bureau's FY 1987 budget request does not provide funds for the project.

In advance of any future funding request or expenditure of appropriations on the project, the Bureau will, as the Final Audit Report recommends, "direct that a study be performed evaluating the cost, benefits, and scope of the entire Fort Belknap irrigation project in order to determine how money appropriated for the project can be best utilized."

Attachments

ATTTACHMENT NO. 1

BUREAU OF INDIAN AFFAIRS RESPONSE TO AUDIT
NO. C-IA-BIA-47-84 (c)

Rehabilitation and Completion of the Fort Belknap Irrigation Project

Office of Inspector General Recommendations

We recommend that the Assistant Secretary for Indian Affairs:

1. Direct that a study be performed evaluating the cost, benefits, and scope of the entire Fort Belknap irrigation project in order to determine how money appropriated for the project can be best utilized.

Bureau of Indian Affairs response:

> Agree. The Bureau directed a three member irrigation team from outside the Billings Area jurisdiction to perform an on-site review of the Fort Belknap Irrigation Project, the irrigation program of work, work-plans, schedules and other attendant activities related to the project in September 1985. Their report, filed in October 1985 concluded that work was progressing in a logical approach under standard BIA financial, contracting, and operation of construction project regulations (reference Attachment No. 3). At the time of the on-site review over $620,903 of the $980,000 advice of allotment for the project had been obligated against a presribed program of work. The practicality of conducting a comprehensive study as suggested by the recommendation was unfeasible at this point in fund obligation and work progress in accordance with the irrigation program of work. In advance of either requesting funding or expending further appropriations for the project, the Bureau will direct that a study be performed evaluating the cost, benefits, and scope of the entire project in order to determine how money appropriated for the project can be best utilized.

2. Until recommendation No. 1 is completed, prohibit any further expenditures on the project.

Bureau of Indian Affairs response:

> Agree. Internal control breakdowns resulted in reporting failures and continuing obligations and expenditures. Approximately half of the appropriated funds were obligated against a prescribed irrigation program of work in advance of the draft audit report being issued, and over 60% obligated when the review team inspected the project. Further 90% of the appropriated funds were obligated in advance of the final report being issued, when current Bureau executive leadership became aware of the matter. As provided in response to recommendation No. 1, the Bureau will direct a study to evaluate the cost, benefits, and scope of the entire project in advance of either requesting future funding or expending future appropriations for the project.

Question 126: Please provide details of the work done on Milk River, estimated additional requirements (including information as to how such estimates were derived), and a proposed schedule for project completion.

Answer: Attached is a report from the field giving the detailed actual work accomplishments as of March 10, 1986. A schedule for project completion will be prepared as soon as the study discussed in the Final Audit Report is completed.

DATE March 10, 1986

REPLY TO ATTN OF: Agricultural Engineer

[redacted]

TO Natural Resources Officer, Ft. Belknap Agency

This is a summary of irrigation construction accomplishments and status as of March 10, 1986.

1. 17 miles of drains have been cleaned and shaped as follows:

Drain D-1	1.5 miles
Drain D-1C	1.5 miles
Drain D-2	4.25 miles
Drain D-3	7.0 miles
Drain D-3A	0.5 miles
Drain D-3B	0.25 miles
Drain 3-C	0.25 miles
Drain D-4	1.75 miles

2. 1.5 miles of new drain D-7 has been partially excavated with excavation to grade of 0.6 miles.

3. O&M access roads were constructed along 22.5 miles of canals, laterals, and drains as follows:

Lateral 11-A	8.25 miles
Main Canal A	4.50 miles
Main Canal C	4.50 miles
Lateral [illegible]-C	0.5 miles
Lateral 62-A	2.5 miles
Lateral 27-A	1.75 miles
Lateral 12-A	0.5 miles

4. 26.1 miles of canals, laterals, and drains have been cleared of trees and brush as follows:

Lateral 12A11-1	3.0 miles
Lateral 12A11	3.0 miles
Lateral 11A	7.5 miles
Drain D3	0.4 miles
Lateral 2B2	0.5 miles
Lateral 2B3	0.5 miles
Lateral 2B	0.7 miles
Undesignated Drain	0.5 miles
Drain D4	0.6 miles
Lateral 62A	3.0 miles
Lateral 18C2	1.5 miles
Main Canal C	2.25 miles
[redacted]	
Lateral 47R2	0.6 miles
Lateral 62A8-1	0.25 miles

5. Threemile Reservoir

Trees and brush were cleared from the dam, spillway, and intake canal as reported in Paragraph 4.

The 0.75 mile intake canal was cleaned, reshaped, and the canal bank was raised to permit effective diversion of Threemile Creek and Spring Creek into the reservoir.

6. White Bear Diversion Dam

An excavation was dug around White Bear Dam to investigate its condition. It was found that the substate was porous with piping under the dam leading to substantial seepage under the dam and potential failure of the foundation.

A detailed design was prepared for improvement of the dam by an engineering consultant.

A steel sheet piling cutoff wall has been driven across the length of the design crest extending into the proposed footings on either side of the dam.

New footings and wing walls will be constructed, and a new concrete cap will be poured over the existing structure. New aprons will also be poured on the upstream and downstream side.

Materials for the dam work have been purchased. Rebar bends for the footings and wingwalls have been completed. Forms have been built for the wingwalls.

Protective earthwork dikes, and bypass channel have been constructed. Gravel has been backfilled around the structure for stabilization and foundation support.

7. 4.0 miles of laterals have been cleaned and reshaped with the excavator or sloper as follows:

Lateral 18C	1.0 miles
Main Canal C	2.5 miles
Main Canal A	0.5 miles

Rick Wells

Cost/Benefit Projections

Question 127: Does the Bureau use the same methodology as the Bureau of Reclamation in determining cost/benefit ratios for irrigation construction?

Answer: The same methodology is used by both Interior Bureaus when determining cost/benefit ratios for irrigation projects as set forth in the Economic and Environmental Principles and Guidelines for Water and Related Land Resources Implementation Studies, March 10, 1983. The Principles and Guidelines permit alternative benefit evaluation procedures, including earnings and indirect earnings, in areas with high unemployment. Both Bureaus have used that procedure where appropriate.

Question 128: If there is a difference, please provide a side-by-side analysis of the methods employed.

Answer: There are no differences.

Alaska Native Escrow Account

Question 129: No funds are requested for the Alaska Native escrow account. Did the amount provided represent the full cost to the Government associated with the receipts from lands conveyed to the Native corporations?

Answer: The total amount of principal collections which had not been escrowed was included in the FY 1986 appropriation. However, the sequestrations required under P.L. 99-170 (Gramm-Rudman-Hollings Act) reduced that amount by $337,000. The balance required and the authorized interest payment due the corporations have not yet been requested (prior to sequestration). When interest has been calculated for each collection, requests for funds will be submitted. The Bureau prepared a report of its progress to the Congress and it will be transmitted separately to the Committees.

Loan Programs

Question 130: Has the Bureau changed regulations with respect to the Economic Development Grant program so as to allow the use of other federal funds as part of the required match?

Answer: With the passage of the Indian Financing Act Amendments of 1984, the Bureau's grant program started operating under the regulations governing the Indian Business Development Program Grants (25 CFR 286) in FY 1986, and will continue to operate under them in FY 1987. Under those regulations other federal funds may be used as part of the required match. We no longer make Economic Development Grants under the provisions of 25 CFR 278.

Question 131: If so, will grantees be allowed to use the Bureau's loan program for this purpose?

Answer: A memorandum was issued March 19, 1986, to all Area Offices, which stated that "Public Law 98-449 allows grants up to 40% of project cost for tribes and individuals. However, as a policy, grants to tribes and individuals will be limited to no more than 25% of the project cost. The 75% match can come from other sources, including grantee's assets, other federal funds, BIA's Loan Guaranty Program (only as a last resort), but not the BIA's Direct Loan Program."

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

Question: Under what statute(s) or regulation(s) does the Secretary of the Interior find the authority to reduce or terminate BIA programs in Alaska? Additionally, discuss the Department's policy considerations for singling Alaska Natives out for a severe and disproportionate share of the total budget cut.

Answer: Most programs operated by the Bureau of Indian Affairs are subject to the amounts provided through annual appropriations. They are operated under the very broad authority of the Synder Act, 25 U.S.C. 13, which allows the bureau to spend "such moneys as Congress may from time to time appropriate, for the benefit, care and assistance of the Indians throughout the United States...." Thus, the bureau has the discretion to decide how many dollars to request in its budget and deciding which programs or areas to emphasize.

Furthermore, policy considerations in proposing the budget for FY 1987 for Alaska included a number of factors, as follows: (1) the large proportion of "urban" natives (nearly 30% now live in the three largest cities); (2) the State's unusual economic wealth and provision of public works, services, and employment in recent years (even with the drop in oil revenue, the State still has a permanent fund which provides a savings that the State has set aside from excess revenues generated against future reduced revenues - the permanent fund allows the State to pay dividends to citizens; and the State has no personal income tax); (3) the improved socio-economic status of Alaska Natives compared to non-natives and lower 48 Indians since 1970; (4) the existence of programs which are no longer considered as high a priority as in previous years (e.g. facilities management); and (5) the overriding national policy, as evidenced by passage of the Gramm-Rudman-Hollings Act, of moving toward a balanced budget.

Moreover, there are a number of important differences between Alaska Natives and Indians in the lower 48 states which led to the proposals in the President's budget:

- First, Alaska Natives who, currently receive BIA services and who reside in urban areas or villages with municipal governments providing local services and/or channeling resources and services from the State, can apply for such services from these local governmental sources. Generally speaking, this is not the case in the lower 48 where BIA services are provided to Indians living on or near reservations who are not residents of municipalities offering similar services.
- Second, because the U.S. Government never signed treaties with Alaska Natives, there are no tribal treaty rights to be protected. BIA spending in Alaska should be limited to that needed to meet the requirements of specific statutes (e.g. ANCSA, ANILCA, the Alaska Native Allotment Act, and the Alaska Native Township Act).
- Third, there is no tribal trust land in Alaska (except Metlakatla which is not subject to the proposed reductions and small parcels of a few acres in four villages in southeast Alaska used for canneries) to warrant the continuation of the same natural resource management programs designed for application in the lower 48 reservations.

Federal funding is provided to Alaska Natives because of their special status as Natives by a number of Federal agencies including the Departments of Education, Health and Human Services, Housing and Urban Development, Interior, Labor, and Transportation. During FY 1985, $286.1 million was provided by these agencies for special programs serving Alaska Natives, and $264.9 million is estimated to be provided during FY 1986. Although approximately 5 percent of the 1.4 million Native Americans identified by the 1980 U.S. Census were Alaska Natives, they are receiving approximately 10 percent of the total Federal funding appropriated for special programs available to all Indians and Alaska Natives. The per-capita special Federal funding for Alaska Natives is therefore approximately double the amount received by Indians in the lower 48. Furthermore, BIA spending in Alaska represents 16 percent and 13 percent of the total special Federal funding for Alaska Natives in 1985 and 1986, respectively. The FY 1987 budget proposal would represent a reduction from the FY 1986 total Federal funding level for Alaska Natives of 3.7 percent.

Question: Has the Department of the Interior asked the State of Alaska whether Alaska is willing to take over any of the BIA programs proposed for reduction or termination? Describe the nature of such contacts and the State's response.

Answer: While specific consultation with the State on all of these program funding reductions has not been conducted, many general and preliminary discussions have been ongoing. Informal discussions have been in process over the past year with the State Department of Transportation and the Governor's Office on road maintenance and construction, and freight services to Western Alaska. Discussions on joint employment assistance programs and a trial project coordinated by the Tlingit Haida Central Council have also been underway. The State has also been looking for ways to equalize revenue sharing in villages that are unincorporated with those that have incorporated as municipalities.

Question: Is it the Department of the Interior's belief that the reduction and/or termination of BIA programs in Alaska is in conformity with the real economic and social needs of Alaska Natives? What is the legal basis for the Department's conclusions?

Answer: Given the availability of a wide range of State and Federal assistance programs which are not affected by our proposal, we feel these reductions are realistic in the current fiscal climate. Our proposal would not deny any benefits to which Alaska Natives are legally entitled as citizens of the U.S. or of Alaska. Moreover, as pointed out above, it would only marginally affect the level of benefits made available to Alaska Natives, not because of their status as citizens, but rather because of their special status as constituents of Native entities which are recognized by the U.S. as eligible to receive special services. Even so, the budget proposals to reduce/eliminate funding for certain BIA programs in Alaska do not stem from and are not associated with any change in that special status. Rather, they reflect material differences between circumstances of Native Americans in Alaska and the lower 48 states.

Question: Did the Department of Interior discuss its proposal to reduce or terminate BIA programs in Alaska with Alaska Natives prior to its submission of the FY 1987 budget? Identify the Native groups contacted, describe their response to the proposal, and list the BIA programs proposed for reduction or termination that were discussed.

Answer: The particular reductions or termination of funding for programs in Alaska were not formally discussed with Alaska Natives. Initial budget preparation using the Indian Priority System (IPS) had full Native input and participation through Agency advisory committees, tribal leaders and tribal contractors. To the extent possible, along with other considerations, the Deparment used those discussions and priorities in considering where program changes and reductions could be made.

Question: I note that a new budget activity proposed for FY 1987 is Tribal/Agency Operations. The justification of this program is it will enhance Indian self-determination and tribal self-government by putting almost one-third of the total BIA budget under more direct control of the tribes. Please justify the $6.336 million dollar reduction in Tribal/Agency Operations funds for Alaska Natives. (This represents 30% of the total funds available to Alaska Natives under this activity; and does not appear to be duplicated in any other state.)

Answer: The explanation for the reduction of the tribe/agency programs in Alaska is the same as that for other programs in Alaska. When the budgetary reductions were being considered, the bureau considered administrative consolidations, bureau-operated Area Office programs, and agency administrative programs before it considered reducing direct services to tribes. Some of the tribe/agency funds reduced are for road maintenance, water resources development, minerals and mining, executive direction, and administrative services. These programs were selected for reduction because they do not apply to specific Native Groups and are areawide in scope, or because they provide for agency administrative costs which would not directly affect Native or Native contractors' service delivery.

Question: Does the FY 1987 budget for BIA programs in Alaska reflect funding priorities established by Alaska Natives?

Answer: To some extent the FY 1987 budget does reflect the priorities established by Alaska Natives, since the original FY 1987 budget request was based on priorities of Alaska Natives through the Indian Priority System of budget formulation. However, as the budget was finalized, changes were made to ensure that statutory and administrative necessities were met, while still reducing the overall Areawide request.

Question: The FY 1987 request for the BIA also proposes the transfer of the Johnson O'Malley education program to the Department of Education and the move of Title IV Indian education programs affecting BIA-funded schools to the BIA. Johnson O'Malley is a substantial part of a national program of support for Native education. In Alaska, Johnson O'Malley funds are contracted out to regional nonprofit and village Native organizations.

1) Would a transfer of the program eliminate Alaska Natives input into and administration of the Johnson O'Malley program? 2) Does the Department of Education have authority to contract out this type of program? 3) If not, will legislation provide such authority?

Answer: It is our understanding that legislation has been drafted which should alleviate these concerns. The Department of Education has held consultation meetings in five different locations as part of the process of formulating the legislation (June 18 in Oklahoma City, June 20 in Phoenix, June 23 in Seattle, June 25 in Bismark and July 2 in Washington, D.C.). Copies of the draft legislation and the hearing schedule were sent to interested parties. Alaskan attendees included Isabella Brady, of the Native Education Programs organization, Sitka School District; and Caroline Martin, Chairman of the Juneau Indian Education Committee.

Specific answers are as follows: (1) No, in fact the draft legislation gives the Natives, through parent committees, a very active and meaningful role. (2) Yes, the Department of Education can contract this program by going through the State. The State then would give grants to the public schools, if, and only if, the parent committees approve. If the parent committees do not approve, the grants would be withheld until the local school systems satisfied the parent committee concerns or the grants could go then to a tribal organization. (3) Yes, as noted above.

Questions Submitted by Senator J. Bennett Johnston

Question: The Indian tribes in Louisiana are small and have had a great deal of difficulty in obtaining assistance through the Bureau of Indian Affairs. I believe the establishment of this office, which will be funded by a $170,000 reallocation of existing funds and carries the support of the Bureau's Eastern Area Office, will assist them greatly in their dealings with the Bureau. I believe the proposal is a meritorious one and will appreciate your giving it top priority. Please respond fully to your plans in this regard and provide for the record a timetable for establishing this office.

Answer: A proposal has been prepared which would establish a small Bureau office in Lafayette, Louisiana, to provide services to the three federally recognized tribes mentioned, as well as those which may be recognized in the near future. The staff at this proposed office would primarily provide technical assistance to the Louisiana tribes, monitor contracts under which the tribes are operating Bureau programs, administer law enforcement services on Indian Reservations and coordinate additional services which would be obtained by the Area Office.

A decision is to be made by Assistant Secretary during July as to whether or not to recommend to the Secretary the establishment of the office. If the decision is made to establish the office, the following timetable has been established for implementation:

July 28 - Proposal will be prepared and submitted to the Department for a decision.

August 8 - A decision to establish the office or not should have been made
by the Secretary.

October 1 - The office will be in operation.

Question: I would appreciate your providing an explanation of how these programs operate and particulary how small tribes, such as those in Louisiana, can obtain the technical assistance they need in order to qualify for guaranteed and direct loans.

Answer: Louisiana Tribes, as well as all other federally recognized tribes in the United States, are provided loans, loan guarantees and/or grants based on the merits of their applications in terms of profits and jobs created. With the limited funds available, funding is provided on the basis of comparative merit and availability of dollars.

If a tribe contemplates seeking a loan guaranty, or grant from the BIA, they qualify for technical assistance, if needed. We are in the process of redesigning our strategy for providing technical assistance in a more efficient manner. This includes the establishment of a national business opportunity center, or centers, which will supply technical assistance. We have issued a Request for Proposal, and expect our technical assistance funds to be used for this purpose.

Question: In addition, I would appreciate your providing a breakdown of all assistance that has gone to the Louisiana Eastern tribes compared to that having gone to tribes of similar size in the southeastern part of the United States since 1980.

Answer: Attached is a breakdown of all assistance that has gone to the Eastern Area Tribes since FY 1980, including population.

BREAKDOWN OF ASSISTANCE TO TRIBES UNDER
EASTERN AREA OFFICE JURISDICTION
FOR FY 1980 THRU FY 1986 (As of 5/86)

($ IN THOUSANDS AND TENTHS)

Tribe State	Population	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986
Chitimacha - Louisiana	380	47.4	230.2	236.8	213.8	179.1	276.2	266.2
Coushatta - Louisiana	444	108.1	119.6	322.3	298.4	317.8	513.4	420.3
Tunica-Biloxi - Louisiana	333	0	0	175.0	426.0	177.2	219.2	179.2
Maine Ind Education - Maine Tribes	0	77.0	77.0	77.0	868.0	1,109.8	1,303.7	1,129.8
Passamaquoddy/Ind Twnshp - Maine	870	260.1	752.5	965.2	723.0	817.0	810.3	606.6
Passamaquoddy/Plesnt Pt - Maine	1,442	423.3	1,065.2	1,239.2	1,041.7	1,158.3	1,130.1	846.1
Penobscot - Maine	1,725	508.8	1,056.3	1,600.0	1,259.6	1,130.3	1,428.4	1,259.2
Narragansett - Rhode Island	1,170	0	0	0	0	430.0	1,085.1	798.5
Maliseet - Maine	349	0	50.0	479.0	376.0	386.4	500.3	292.9
Cherokee - North Carolina	8,822	3,357.0	6,668.2	6,720.2	6,658.6	5,280.4	6,653.6	6,618.6
Seminole - Florida	1,609	1,803.3	2,254.7	2,617.4	2,324.8	2,223.9	2,267.0	2,210.0
Miccosukee - Florida	521	939.6	1,187.3	1,238.2	1,040.6	969.5	1,715.0	1,555.6

BREAKDOWN OF ASSISTANCE TO TRIBES UNDER
EASTERN AREA OFFICE JURISDICTION
FOR FY 1980 THRU FY 1986 (As of 5/86)

($ IN THOUSANDS AND TENTHS)

Tribe State	Population	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986
Choctaw - Mississippi	6,770	3,053.1	7,920.7	8,407.4	9,207.1	7,262.1	9,265.4	8,724.1
Pequot - Connecticut	344	0	0	0	0	92.0	261.5	330.6
Poarch Creeks - Alabama	1,470	0	0	0	0	0	608.1	854.5
Seneca - New York	5,558	951.7	880.7	1,064.6	836.0	764.4	1,047.4	881.8
St. Regis Mohawk - New York	1,025	586.9	328.0	274.0	349.1	520.0	470.9	530.9
Tonawanda - New York	988	71.5	64.7	52.7	54.5	56.8	66.3	58.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

QUESTIONS SUBMITTED BY SENATOR MALCOLM WALLOP

Question: The Bureau of Indian Affairs and U.S. Fish and Wildlife Service, Region 6 have agreed to transfer $22,000 from the Lander Fishery Assistance Office to the Creston Fishery Center for FY 1986. I have been informed the transfer of funds will adversely affect the Lander FAO's level of work planned for the rest of the fiscal year. Exactly what will the amounts of reduction be in the following areas: a) acid rain sampling; b) wildlife surveys; and c) Bull Lake study on lake trout and turbot.

Answer: Information provided by the U.S. Fish and Wildlife Service, reveals that the $22,000 transfer will affect Lander FAO operations as follows:

(1) Reduce fish and wildlife technical assistance to the Crow and Northern Cheyenne. This will result in less travel to three reservations.

  a) Per diem and transportation..............................-$2,500

(2) Preclude equipment purchases including a 4x4 pickup truck used in backcountry surveys, gill nets and other general spending items. The vehicle is directly involved in all high mountain lake surveys, acid rain sampling, and wildlife work.

  a) Vehicle purchase.......................................-$12,000
  b) Nets and other general supplies..........................-$1,000

(3) Reduced backcountry lake surveys, fish stocking, and acid rain sampling on the Wind River Reservation.

  a) Eliminate one or more trips into the Wind River Reservation to collect fish population data on high mountain lakes. Acid rain samples for establishing baseline data on specified lakes are also collected on these trips. Fish stocking will be curtailed for high mountain lakes...-$3,000

(4) No spring or summer wildlife aerial surveys on the Wind River Reservation.

  a) Summer range aerial surveys will not be conducted.......-$1,500
  b) Travel expenses associated with land use activities on the reservation will be reduced............................-$500

(5) Reduced activities in the Bull Lake study on lake trout and turbot.

  a) This has been a cooperative study with the Fishery Research Unit at Colorado State University. The monitoring of tagged fish will be continued for as long as possible..-$1,500

However, the Fish and Wildlife Service (FWS) is proposing to combine two Fish Technology Centers in Montana. A reprogramming request to effect this consolidation is pending. If it is approved, the FWS will transfer $14,000 in savings from the consolidation to the Lander Office. This amount would substantially reduce the impact described above.

Question: Why was it necessary to make the transfer in the middle of the fiscal year?

Answer: The annual Memorandum of Agreement negotiated between the Bureau and Service occurs after the Bureau appropriation is received. The FY 1986 Agreement was signed in March 1986. Sub-agreements covering transfers of funds cannot be developed until the national agreement is completed.

Question: Was the local office of the Lander Fishery Assistance Office involved in determining the areas where the activities would be reduced?

Answer: Sub-agreement negotiations occurred at the Bureau Area Office and Service Regional Office level. We understand that FWS personnel were in contact with the Lander Office in negotiating the sub-agreement.

Question: Do you anticipate the need to transfer funds again in FY 1987 from the Lander FAO to the another area in the region as has been proposed in a March 8, 1986, Memorandum of Agreement?

Answer: Personnel of the Bureau's Billings Area Office will evaluate the results of the FY 1986 transfer before reaching conclusions about any FY 1987 transfers.

Question: Is there a timetable for eventually transferring the management of the Fish and Wildlife station to the Wind River Indian Reservation tribal council?

Answer: The need for continued fish and wildlife assistance from the Service's Lander Office is anticipated in the foreseeable future. No timetable for transferring Service involvement to the tribes has been considered.

SUBCOMMITTEE RECESS

Senator McClure. Thank you very much for your testimony here today, and good luck.

We will stand in recess until 10 a.m. on May 1, at which time we will hear from the territorial government witnesses.

[Whereupon, at 3:40 p.m., Tuesday, April 29, the subcommittee was recessed, to reconvene at 10 a.m., Thursday, May 1.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

THURSDAY, MAY 1, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:15 a.m., in room SD-138, Dirksen Senate Office Building, Hon. J. Bennett Johnston presiding.

Present: Senators McClure and Johnston.

DEPARTMENT OF THE INTERIOR

TERRITORIAL GOVERNMENTS

VIRGIN ISLANDS

STATEMENT OF RON DE LUGO, DELEGATE FROM THE VIRGIN ISLANDS, U.S. HOUSE OF REPRESENTATIVES

PREPARED STATEMENT

Senator JOHNSTON. The hearing will come to order.

Good morning. This is the time scheduled to hear testimony from the territorial governments. Because of time constraints, we have allotted 10 minutes for each witness. Your full statements will automatically be placed in the record at the appropriate place. Please use 5 minutes to summarize your statements, and the subcommittee may use the remaining 5 minutes for any questions.

We are very pleased to see so many old friends here this morning.

We will begin with the Virgin Islands and my good friend, Ron deLugo.

We have put a note pad on the witness table. If every witness would please write your name out for the court reporter, she will have that and we will appreciate it.

[The statement follows:]

Statement of Ron de Lugo

THANK YOU FOR PROVIDING THIS OPPORTUNITY TO BRING TO YOUR ATTENTION FISCAL YEAR 1987 APPROPRIATIONS REQUESTS OF IMPORTANCE TO THE UNITED STATES VIRGIN ISLANDS.

THE VIRGIN ISLANDS IS ACUTELY AWARE OF THE STRICT LIMITS PLACED ON FEDERAL SPENDING UNDER THE BALANCED BUDGET AND EMERGENCY CONTROL ACT OF 1985. THE ACT HAS HAD ITS MOST ADVERSE IMPACT ON THE INSULAR AREAS OF THE NATION. THIS WAS MADE CLEAR IN A REPORT BY THE FEDERAL FUNDS INFORMATION FOR STATES. IT POINTED OUT THAT THE DISTRICT OF COLUMBIA AND THE TERRITORIES AND COMMONWEALTHS WILL BE HIT THE HARDEST BY THE CUTS REQUIRED UNDER GRAMM-RUDMAN BECAUSE OF THE NATURE OF THEIR DEPENDENCE ON FEDERAL FUNDS.

IN ITS FISCAL YEAR 1987 REQUEST FOR CAPITAL IMPROVEMENT FUNDING, THE GOVERNMENT OF THE VIRGIN ISLANDS PROPOSED FOUR PROJECTS AS PRIORITIES, FOR A TOTAL CAPITAL IMPROVEMENT REQUEST OF 12 MILLION DOLLARS. THEY INCLUDE FUNDING FOR WATER DISTRIBUTION REPAIRS, ADDITIONAL FUNDING FOR THE ST. CROIX AIRPORT RUNWAY EXTENSION, AND SOLID WASTE TREATMENT ASSISTANCE. ALL ARE IMPORTANT, AND I AM PLEASED THAT THE ADMINISTRATION HAS SUPPORTED ONE OF THOSE PROJECTS BY RECOMMENDING 2.9 MILLION DOLLARS FOR REPAIRS TO THE WATER DISTRIBUTION SYSTEM IN CHARLOTTE AMALIE, ST. THOMAS.

THE VIRGIN ISLANDS HAS INVESTED CONSIDERABLE RESOURCES IN WATER PRODUCTION AND DISTRIBUTION. CONGRESS, THROUGH DIRECT APPROPRIATIONS AND UNDER FEDERAL GRANT PROGRAMS, HAS ALSO HELPED THE TERRITORY TO ADDRESS ITS CRITICAL WATER PROBLEMS. WHILE MUCH HAS BEEN DONE THROUGH DESALINATION TO ADDRESS THE ONGOING WATER

SHORTAGE, THE TERRITORY IS TRYING TO SOLVE THE OTHER TANGENT OF ITS WATER CRISIS: THE LOSS OF MORE THAN HALF OF THE WATER PLACED INTO THE DISTRIBUTION SYSTEM THROUGH LEAKAGE AND, TO A LESSER EXTENT, THROUGH FAULTY METERING. THE WATER DISTRIBUTION PIPELINES IN THE ISLANDS ARE OVER FORTY YEARS OLD. THEY ARE RUSTED, IN MANY PLACES RIGHT THROUGH. PUBLIC HEALTH AND SAFETY ARE ENDANGERED, THE MILLIONS OF DOLLARS IN REVENUES LOST EACH YEAR ARE A STRAIN WHICH THE LOCAL GOVERNMENT, ALREADY OPERATING AT A DEFICIT, IS HARD PRESSED TO ACCOMODATE. SIMPLY PUT, THE LEAKS AND RUST ARE A HAZARD AND A WASTE. WATER IN THE TERRITORY IS EXPENSIVE ENOUGH TO GENERATE, AND WE NEED HELP IN ADDRESSING THE PROBLEM.

THE ADMINISTRATION HAS PROPOSED FUNDING THE NEXT PHASE OF VIRGIN ISLANDS WATER DISTRIBUTION MASTER PLAN. THIS WOULD CONTINUE THE REPLACEMENT THE MAIN WATER LINE IN CHARLOTTE AMALIE, ST. THOMAS. THE TOWN ACCOUNTS FOR MORE THAN HALF OF THE POTABLE WATER DEMAND IN ST. THOMAS.

REPAIRING THE WATER PIPELINES IS A PRIORITY FOR THE VIRGIN ISLANDS. I APPRECIATE THE ADMINISTRATION'S SENSITIVITY TO THE PROBLEM, AND URGE THE COMMITTEE TO APPROPRIATE THE RECOMMENDED FUNDING.

THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS RECOMMENDED AN INCREASE OF 500,000 DOLLARS OVER THE 2.2 MILLION DOLLARS FOR TECHNICAL ASSISTANCE REQUESTED BY THE ADMINISTRATION. THE PURPOSE OF THE TECHNICAL ASSISTANCE PROGRAM IS TO ASSIST THE TERRITORIES IN DEVELOPING PRIVATE ENTERPRISES. WHILE THE OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS HAS APPARENTLY MADE AN EFFORT TO DO THIS FOR THE COMMONWEALTH OF THE

NORTHERN MARIANAS BY PROVIDING ECONOMIC DEVELOPMENT FUNDING IN THE PROPOSED COVENANT AMENDMENTS, NO SIMILAR EFFORT IS EVIDENT IN THE OTHER TERRITORIES. AS A MATTER OF FACT, TO MY KNOWLEDGE, THE SECRETARY OF INTERIOR HAS YET TO SUBMIT THE REPORTS REQUIRED BY LAW ON THE THE ADMINISTRATION'S EFFORTS AND RECOMMENDATIONS FOR DEVELOPING PRIVATE ENTERPRISES IN THE TERRITORIES. NONETHELESS, BUILDING THE PRIVATE SECTOR REMAINS A PRIORITY FOR THE TERRITORIES, AND WE NEED HELP. I BELIEVE OTIA SHOULD HAVE THE FUNDS NEEDED TO PROVIDE MEANINGFUL ASSISTANCE, AND ONLY HOPE THAT IT WILL USE ITS RESOURCES, IN CONJUCTION WITH THE ABUNDANT RESOURCES AVAILABLE IN OTHER FEDERAL AGENCIES, TO PROVIDE THE HELP WE NEED.

AS DO GUAM AND PUERTO RICO, THE VIRGIN ISLANDS RELIES ON A PERMANENT APPROPRIATION FOR ONE OF ITS MOST IMPORTANT AND, UNTIL RECENTLY, RELIABLE RESOURCES. I REFER TO THE RETURN OF THE EXCISE TAXES ON RUM. THE REVISED ORGANIC ACT OF THE VIRGIN ISLANDS REQUIRES THAT FEDERAL REVENUES COLLECTED IN OR DERIVED FROM THE VIRGIN ISLANDS SHALL BE TRANSFERRED TO THE GOVERNMENT OF THE VIRGIN ISLANDS. THE MOST SIGNIFICANT OF THESE COLLECTIONS ARE THE EXCISE TAXES ON RUM. THIS TAX WAS IMPOSED ON RUM ENTERING FROM THE VIRGIN ISLANDS, AND PUERTO RICO, AS A MEANS OF EQUALIZING THE COSTS VIS-A-VIS MAINLAND DISTILLERS. FROM ITS INCEPTION, THIS EQUALIZING TARIFF WAS RETURNED TO THE TERRITORY.

THE 1984 TAX ACT INCREASED THE EXCISE TAX ON RUM AND OTHER DISTILLED SPIRITS. FOR THE FIRST TIME IN OUR HISTORY, THE ACT ALSO PROHIBITED THE COVER OVER OF THE INCREASE. THE RESULT WAS THE REDUCED SALES WHICH OCCUR WHEN THERE IS AN INCREASE IN THE

COST OF LIQUOR, WITHOUT THE BENEFIT OF THE TAX INCREASE. ACCORDING TO THE PRESIDENT'S BUDGET, OVER FIVE YEARS THE EXCISE TAXES RETURNED TO THE VIRGIN ISLANDS WILL FALL FROM 40 MILLION DOLLARS TO 25 MILLION DOLLARS. I AM HOPING TO GET SUPPORT FOR RETURNING THE FULL AMOUNT OF THE EXCISE TAX COLLECTED ON THE RUM TO THE VIRGIN ISLANDS. SINCE THIS INTERIOR ACCOUNT, I RAISE THE ISSUE ASK FOR YOUR SUPPORT IN REINSTATING THE ORIGINAL STANDARD FOR THIS PERMANENT APPROPRIATION.

ADDITIONALLY, GRAMM-RUDMAN-HOLLINGS HAS BEEN INTERPRETED AS INCLUDING THE EXCISE TAXES COLLECTED ON RUM IN BOTH THE VIRGIN ISLANDS AND PUERTO RICO, AS WELL AS THE PERMANENT APPROPRIATION PROVIDED UNDER SECTION 30 OF THE GUAM ORGANIC ACT. IN FISCAL YEAR 1986, THE VIRGIN ISLANDS STANDS TO LOSE 1.3 MILLION DOLLARS IN SEQUESTERED EXCISE TAX RETURNS. YET, THE REVENUES INVOLVED CONSTITUTE A FEDERAL OBLIGATION TO THE TERRITORY PRIOR TO THEIR COLLECTION. THUS, TRANSFER OF THESE PAYMENTS TO ALLEVIATE THE FEDERAL DEFICIT WOULD CONSTITUTE A TRANSFER OF FUNDS FROM THE TERRITORIAL GOVERNMENT TO THE FEDERAL GOVERNMENT.

THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET STATED IN TESTIMONY BEFORE THE SENATE BUDGET COMMITTEE THAT THE RUM EXCISE FUNDS "APPEAR IN THE BUDGET AS AN INCIDENTAL MATTER FOR CONVENIENCE OF ADMINISTRATION RATHER THAN AS A MEANS OF RESOURCE ALLOCATION." CONGRESS RECOGNIZED AND EXEMPTED MOST OF THIS TYPE OF ACCOUNT FROM SEQUESTRATION, BUT FAILED TO DO SO FOR THE VIRGIN ISLANDS RUM FUND, OR FOR THE PUERTO RICO AND GUAM ACCOUNTS. WHILE THE BUDGET COMMITTEES SEEM INCLINED TO EXEMPT THE THESE ACCOUNTS, THEY ARE UNDERSTANDABLY RELUCTANT TO OPEN THE ISSUE. YOUR HELP IN ACHIEVING THE NECESSARY EXEMPTION, POSSIBLY IN THE

APPROPRIATIONS BILL, IS MOST NEEDED BY EACH OF THE AFFECTED INSULAR AREAS.

THIS COMMITTEE HAS BEEN INSTRUMENTAL IN THE PAST IN PROVIDING FUNDS FOR PLANNING THE DEVELOPMENT OF THE EASTERN CARIBBEAN CENTER AT THE COLLEGE OF THE VIRGIN ISLANDS. THE IDEA OF THE CENTER WAS PROPOSED BY THE PRESIDENT IN THE CONTEXT OF THE CARIBBEAN BASIN INITIATIVE. THE CENTER IS EXPECTED TO SERVE AS A LINK BETWEEN THE UNITED STATES AND THE ISLAND NATIONS OF THE EASTERN CARIBBEAN, AND WOULD PROVIDE STUDY AND EXPERTISE DESIGNED TO ADDRESS THE SPECIAL DEVELOPMENT NEEDS OF ISLANDS IN THE LEEWARD CHAIN.

SPECIFICALLY, THE CENTER'S WORK INCLUDES AGRICULTURE AND TECHNOLOGY NEEDS ASSESSMENT; AN INSECT AND DISEASE DISTRIBUTION BIOLOGICAL CENSUS; FOOD PRODUCTION RESEARCH; AQUACULTURE AND FOOD PROCESSING PROJECTS; A WATER RESEARCH INVENTORY; DATA SYSTEMS IMPROVEMENT; MIDDLE-MANAGEMENT TRAINING; PROFESSIONAL TRAINING IN CRITICAL FIELDS RELATED TO HUMAN RESOURCES; AND TELECOMMUNICATIONS DESIGNED TO BRING THESE RESOURCES AND OTHERS DIRECTLY TO THE EASTERN CARIBBEAN ISLANDS.

WHILE THE FUNDING FOR PLANNING THE EASTERN CARIBBEAN CENTER HAS COME OUT OF THE DEPARTMENT OF INTERIOR BUDGET IN THE PAST, THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS APPROPRIATELY OBSERVED THAT THE DEPARTMENT OF STATE HAS GREATER EXPERTISE IN DEVELOPING AND ADMINISTERING THE FUNDING OF SUCH A CENTER. IN FACT, THE EAST-WEST CENTER IN HAWAII WHICH SERVES AS A MODEL FOR THE EASTERN CARIBBEAN CENTER IS FUNDED THROUGH THE UNITED STATES INFORMATION AGENCY. THUS, WHILE I ASK FOR YOUR SUPPORT FOR THE 1.2 MILLION DOLLARS REQUESTED FOR THE CENTER THIS YEAR, I ASK YOU AS MEMBERS OF THE APPROPRIATIONS

COMMITTEE ACTING ON THE APPROPRIATION THE UNITED STATES INFORMATION AGENCY.

ALTHOUGH THE FALL IN THE PRICE OF OIL HAS TAKEN THE EDGE OFF OF THE TERRITORIES' DESIRE TO REDUCE THEIR RELIANCE ON IMPORTED OIL, THE DEVELOPMENT OF OUR ABUNDANT ALTERNATIVE ENERGY RESOURCES SHOULD NOT BE ABANDONED. THE RECOMMENDATIONS OF THE TERRITORIAL ENERGY ASSESSMENT SUBMITTED TO CONGRESS BACK IN DECEMBER OF 1982 AND THE CONGRESSIONAL RESEARCH SERVICE CONFERENCE IN 1983 SHOULD STILL SERVE AS THE GUIDELINES FOR ASSURING THAT THE INSULAR AREAS WILL NOT BE INHIBITED BY UNREASONABLE RELIANCE ON IMPORTED PETROLEUM. LAST YEAR 472,000 DOLLARS WERE APPROPRIATED FOR THROUGH THE DEPARTMENT OF ENERGY TO FUND DEMONSTRATION PROJECTS EXPECTED TO MAKE AN ACTUAL CONTRIBUTION TOWARDS REDUCING THE COSTLY DEPENDENCE AND PERVASIVE DEPENDENCE ON PETROLEUM IMPORTS. I ASK THAT YOU TO SUPPORT A SIMILAR APPROPRIATION OF 475,000 DOLLARS, AS RECOMMENDED BY THE HOUSE INTERIOR AND INSULAR AFFAIRS COMMITTEE.

IN MY FINAL REQUEST, I HOPE TO CONVEY THE SENSE OF URGENCY I FEEL WITH REGARD TO PROPERTIES THAT I ASK THE COMMITTEE TO INCLUDE IN ITS BUDGET FOR ACQUISITION THROUGH THE LAND AND WATER CONSERVATION FUND. FOUR PROPERTIES WITHIN THE ST. JOHN NATIONAL PARK ARE ON THE MARKET. THE PROPERTIES ARE LOCATED AT HAWKSNEST, CINNAMON, MAHO AND GENTI BAYS, AND THERE ARE A TOTAL OF 104 ACRES. ALL ARE IDENTIFIED IN THE NATIONAL PARK SERVICE'S LAND PROTECTION PLAN AS HIGH PRIORITY ACQUISITIONS, AND MAY BE ACQUIRED ON A WILLING-SELLER BASIS. THEY INCLUDE SOME OF THE ISLAND'S MOST STUNNING BEACHES, AND SHOULD BE PROTECTED.

ADDITIONALLY, THERE HAS BEEN CONSIDERABLE CONCERN IN THE VIRGIN ISLANDS ABOUT PLANNED DEVELOPMENT OF PROPERTIES AT MAGENS BAY IN ST. THOMAS. MAGENS BAY RANKS AMONG THE WORLD'S SEVEN MOST BEAUTIFUL BEACHES. DEVELOPMENT IS EXPECTED TO HARM THE ECOLOGY, WILDLIFE (SPECIFICALLY, SEA TURTLES) AND OTHERWISE DESTROY THE PRISTINE BEAUTY OF THE BAY. WHILE MAGENS BAY IS NOT WITHIN THE ANY OF THE VIRGIN ISLANDS NATIONAL PARKS, I BELIEVE IT IS A NATURAL RESOURCE THAT IS WORTHY OF PRIORITY CONSIDERATION FOR FEDERAL ACQUISITION. I HAVE BEEN WORKING WITH THE TRUST FOR HISTORIC PRESERVATION AND THE SIERRA CLUB ON THIS ISSUE, AND URGE THE SUBCOMMITTEE TO WORK WITH MY OFFICE WITH A VIEW TOWARDS PURCHASE OF THE PROPERTY.

I THANK YOU FOR YOUR ATTENTION, AND URGE YOUR SUPPORT.

GRAMM-RUDMAN IMPACTS

Mr. DELUGO. Good morning, Mr. Chairman. It is good to see you in the chair and good to be before you.

I will try to use as little time as possible because of the many witnesses you have before the committee this morning.

The Virgin Islands is acutely aware of the strict limits placed on Federal spending under the Balanced Budget and Emergency Control Act of 1985, better known as Gramm-Rudman.

The act has had its most adverse impact on the insular areas of the Nation. This was made clear in a report by the Federal funds information for States. This report pointed out the District of Columbia and the territories and commonwealths of the United States will be hit the hardest by the cuts required under Gramm-Rudman because of the nature of their dependence on Federal funds. Therefore, we come before you with a very lean budget request.

First of all, we are urging that the committee include in its budget the $2.9 million for the second phase of the St. Thomas water pipeline repairs. That replaces the water pipelines in Charlotte Amalie, downtown, and going out into the country. They are over 40 years old and we are losing anywhere from 50 to 70 percent of the water that we distribute through these old and leaky pipes.

The administration supports that and has that in its budget. So, I am hoping that it will remain in.

Mr. Chairman, the Governor of the Virgin Islands has submitted his request for the Virgin Islands, and I support his position. I would like to just take a moment to say a few words about the problem that we face, as does Guam and Puerto Rico.

As you know, we rely on a permanent appropriation that has been most important and most reliable, until recently—that is the permanent appropriation that returns to us the excise taxes on rum. This is provided under the Revised Organic Act for the Virgin Islands.

Until recently, all excise taxes were returned to us. But in the 1984 Tax Act, the excise tax on alcoholic beverages was increased. And for the first time in our history, the act also prohibited the cover over of that increase. The impact was twofold.

No. 1, we didn't get the additional revenue. But not only that, we suffered a loss in sales because of the increase in price on the product. We are hoping that we can get your support in returning the full amount of the excise tax collected to the Virgin Islands and to the other territories involved.

Since this is an interior account, I raise the issue to ask for your support in reinstating the original standard for this permanent appropriation.

Additionally, Gramm-Rudman-Hollings has been interpreted as including the excise taxes collected on rum in both the Virgin Islands and Puerto Rico, as well as the permanent appropriation provided under section 30 of the Guam Organic Act.

In fiscal year 1986, the Virgin Islands stands to lose some $1.3 million in sequestered excise taxes. Yet the revenues involved constitute a Federal obligation to the territory prior to their collection. Thus, transfer of these payments to alleviate the Federal deficit would constitute a transfer of funds from the territorial government to the Federal Government. At least that is the way we look at it.

The Director of the Office of Management and Budget stated in testimony before the Senate Budget Committee, that the rum excise funds appear in the budget as an incidental matter for convenience of administration, rather than as a means of resource allocation.

Congress recognized and exempted most of this type of account from sequestration, but failed to do so for the Virgin Islands rum fund, or for the Puerto Rico and Guam accounts.

While the Budget Committees seem inclined to exempt these accounts, they are understandably reluctant to open this issue. And, therefore, we are asking for this committee's encouragement that this be done.

MAGENS BAY

Finally, Mr. Chairman, I want to address a subject that I know you are personally familiar with, because of your knowledge of the Virgin Islands. And that is my deep concern about the possible loss of one of the great jewels of not only the Virgin Islands, but of our Nation. I am talking about a beach that is considered one of the seven greatest beaches in the world. I am talking about Magens Bay.

As you may be aware, at Magens Bay, there are developers who want to move in, take over, and develop it with hotels and other facilities.

Magens Bay with its great beauty, is also a great recreational resource for the people of the Virgin Islands. Also, the area contains all kinds of plants that are very delicate and hard to find in other areas, and the development would harm the ecology. The wildlife in the area such as sea turtles also would be affected.

I am working at the present time with the Trust for Historic Preservation and the Sierra Club on this issue. I urge this committee to work with me and with my people in seeking a solution to this problem.

Senator JOHNSTON. Hasn't the trust for public lands been working on that, too?

Mr. DELUGO. Yes; they are. They are exploring with us how we could preserve this land. Possibly, through the Land and Water Conservation Fund, or some other source.

Senator JOHNSTON. What would it cost?

Mr. DELUGO. I hate to throw that out on the table, but I think in the ballpark of a little over $3 million. We would get the main land that we feel has to be preserved.

Senator JOHNSTON. I am familiar with Magens Bay and I do think that it would be a shame to have that developed. It really ought to be preserved; $3 million would be hard to come by in today's budget situation.

Mr. deLugo. We are very well aware of that, sir.

Senator Johnston. We need some private money in there. Can you come up with some matching private money?

Mr. deLugo. I think that there is a possibility we may be able to. Working with the Trust for Historic Preservation and with the Sierra Club, we are exploring that. And by bringing the subject up we make more people aware of it.

You know, I think there are millions of people that are aware of the beauty of Magens Bay and when they hear there is a possibility that it is going to be developed, they become concerned. We are hopeful that we may be able to get some private money to help us with this.

Thank you very much, Mr. Chairman.

Senator Johnston. What has the government done about zoning and other restrictions, especially environmental restraints? In other words, using the powers that you have to stem development in there?

Mr. deLugo. At the present time, it would take a change in the zoning for the development at Magens Bay to take place. But, as you know, a great amount of pressure was put on the legislature and on the planning board to do this. In fact, I think planning recommended that it be rezoned, but the legislature turned it down?

Senator Johnston. Turned down the development?

Mr. deLugo. They turned down the development, but the pressure continues.

Senator Johnston. They have the coastal condition there too, don't they?

Mr. deLugo. They have a coastal zone.

Senator Johnston. I tell you, not only in the Virgin Islands but everywhere in the country, due to the lack of funds we are going to have to insist that all States and territories—everyone use their full zoning and land use powers to preserve lands. We are simply not going to be able to get the fee of all these lands. Sometimes you have got to do some acquisition in order to preserve the full thing.

I personally am very interested in Magens Bay and would like to see it preserved. But the island legislature simply must use its powers. And I would hope that they would not allow a lot of condominiums to be developed.

Mr. deLugo. One of the problems we face with this one is that under the current zoning, they could build single-family houses on this property. That would simply destroy it. They wouldn't need a variance for that.

It is felt that the land is too valuable for that. They would like to go commercial and put a hotel in. For that they would need a variance.

I agree with you that we have to use whatever weapons we have to protect it.

Senator Johnston. Who owns the land at the present time?

Mr. deLugo. It is owned by Homer Wheaton, who is an heir to Fairchild, a philanthropist, who gave most of Magens Bay to the people of the Virgin Islands.

Senator JOHNSTON. Thank you very much, Congressman.

Mr. DELUGO. Thank you very much.

Senator JOHNSTON. I don't see Gov. Juan Luis. Is he here?

Mr. DELUGO. No; he is not here, Mr. Chairman. He asked me to offer his——

Senator JOHNSTON. Please tell him that we think he was ably represented today by Congressman Ron DeLugo.

Mr. DELUGO. Thank you very much, Mr. Chairman.

AMERICAN SAMOA

STATEMENT OF FOFO I.F. SUNIA, U.S. DELEGATE FROM AMERICAN SAMOA, U.S. HOUSE OF REPRESENTATIVES

ACCOMPANIED BY:
- A. P. LUTALI, GOVERNOR
- TUIAFONO MATAUTIA, SPEAKER OF THE HOUSE

PREPARED STATEMENTS

Senator JOHNSTON. Next we are happy to welcome our friends from American Samoa, Congressman Fofo Sunia, and Gov. A.P. Lutali.

Welcome Governor Lutali, Congressman Sunia.

[The statements follow:]

STATEMENT OF FOFO I.F. SUNIA

MR. CHAIRMAN, THANK YOU FOR THE OPPORTUNITY TO TESTIFY. LET ME ALSO EXTEND MY APPRECIATION FOR THE KEEN AND SINCERE ATTENTION THAT YOU AND YOUR STAFF ALWAYS GIVE THE PROBLEMS FACING AMERICAN SAMOA. OUR GOVERNOR AND OUR LEGISLATIVE LEADERS WILL SPEAK IN A FEW MOMENTS, BUT I WANT TO TAKE THIS OPPORTUNITY TO RAISE SOME POINTS WITH YOU ON BEHALF OF OUR ISLANDS.

AMERICAN SAMOA REQUESTED $29,617,500 IN GOVERNMENT OPERATIONS ASSISTANCE FOR FISCAL YEAR 1987. THE PRESIDENT PROPOSED ONLY $20,776,000.

OUT OF $12,534,500 THAT AMERICAN SAMOA REQUESTED FOR CAPITAL IMPROVEMENT PROJECTS SUCH AS REROOFING SCHOOL BUILDINGS, IMPROVING THE SEWER SYSTEM AND NEW FIRETRUCKS, THE BUDGET PROPOSED JUST $2,730,000.

THE HOUSE INTERIOR AND INSULAR AFFAIRS COMMITTEE HAS RECOMMENDED THAT FEDERAL ASSISTANCE FOR THE TERRITORY'S ESSENTIAL INFRASTRUCTURE NEEDS BE CONTINUED AT CLOSE TO THE CURRENT LEVEL OF $5,633,000. IT URGED APPROPRIATION OF FUNDS TO BUILD NEW CLASSROOMS AND ATHLETIC AND HEALTH FACILITIES AND TO MAKE HOUSING LOANS AVAILABLE, IN ADDITION TO THE PROJECTS PROPOSED BY THE PRESIDENT. THE HOUSE INTERIOR COMMITTEE'S ADD-ONS INCLUDED $990,000 FOR EIGHTEEN CLASSROOMS, EACH MEASURING FORTY-TWO FEET BY ONE HUNDRED AND COSTING $55,000; $333,000 FOR AN INDOOR GYMNASIUM, A CONTINUATION OF A PROGRAM YOU APPROVED LAST YEAR; $980,000 FOR THE HOUSING LOANS FROM THE AMERICAN SAMOA GOVERNMENT DEVELOPMENT BANK; AND $600,000 FOR MEDICAL EQUIPMENT.

THE HOUSING FUND IS A PROGRAM BEGUN IN 1985, MADE IN RECOGNITION OF THERE NOT HAVING BEEN H.U.D. PROGRAMS FOR THE TERRITORY. I HAVE APPENDED INFORMATION ON HOUSING LOANS FROM THE AMERIKA SAMOA DEVELOPMENT BANK. RECOGNIZING THE FISCAL PRESSURES ON THE FEDERAL BUDGET, I AM CONFINING MY REQUEST TO YOU TO THIS RECOMMENDATION.

I ALSO WANT TO EMPHASIZE THAT AMERICAN SAMOA HAS BEGUN TO DEVELOP ALL FEASIBLE ADDITIONAL LOCAL REVENUES. A SALES TAX WAS

INSTITUTED LAST YEAR, AND OTHER FEES, TARIFFS AND DUTIES ARE BEING CONSIDERED. FURTHER, A TASK FORCE IS STUDYING WAYS OF MEETING FUTURE FINANCIAL NEEDS.

I KNOW THAT YOU WILL GIVE OUR REQUESTS THE SAME SERIOUS CONSIDERATION THEY HAVE RECEIVED IN THE PAST. I HOPE YOU WILL DECIDE TO GRANT US THE ADDITIONAL ASSISTANCE AS RECOMMENDED BY THE HOUSE INTERIOR COMMITTEE. THE GOVERNOR OF AMERICAN SAMOA AND THE LEADERS OF THE FONO HAVE A LIST OF ADDITIONAL NEEDS THAT THEY REQUESTED THROUGH BUT HAVE FAILED TO BE RECOMMENDED BY THE DEPARTMENT OF THE INTERIOR. PLEASE HELP US IMPROVE EDUCATION, HOUSING AND HEALTH IN THE ONLY TERRITORY SOUTH OF THE EQUATOR, IN AN INCREASINGLY IMPORTANT AREA OF THE WORLD.

DATA ON HOUSING LOANS FROM THE AMERICAN SAMOA GOVERNMENT
SOURCE: LELAND KORKLIN, PRESIDENT
AMERIKA SAMOA DEVELOPMENT BANK

1. THE NUMBER OF APPLICANTS ON THE WAITING LIST FOR HOUSING LOANS IN AMERICAN SAMOA IS ABOUT 1450.

2. CONGRESS APPROVED $980,000 FOR HOUSING LOANS IN F.Y. '84. D.O.I. HELD UP THE FUNDS UNTIL MANAGEMENT PROBLEMS AT THE BANK WERE RESOLVED. I AM PLEASED THAT EVERYTHING HAS BEEN CLEARED UP, AND THE FUNDS WERE RELEASED LAST MONTH. THEY WILL IMMEDIATELY TAKE CARE OF THIRTY-TWO APPLICANTS WHO ARE AT THE TOP OF THE WAITING LIST.

3. THERE IS URGENT NEED FOR FINANCIAL ASSISTANCE FOR HOUSING LOANS IN AMERICAN SAMOA. ASIDE FROM THE ABSENCE OF FINANCIAL SOURCES IN THE TERRITORY, AMERICAN SAMOA IS ONLY NOW BEGINNING TO EMERGE FROM THE FRAMEWORK OF COMMUNAL LIVING. YOUNG ADULTS WHO GREW UP IN LARGE FAMILIES IN ONE HOUSE NOW NEED TO OWN HOMES FOR THEIR OWN IMMEDIATE FAMILIES, UNLIKE THE STYLE GENERALLY ACCEPTED BY GENERATIONS BEFORE THEM. THIS SERIOUS

NEED HIGHLY WARRANTS AMERICAN SAMOA'S REQUEST FOR ADDITIONAL FEDERAL FUNDING.

4. UNABLE TO FIND SUFFICIENT FINANCING, PEOPLE ARE BUILDING PIECEMEAL. RESULTS ARE POORLY BUILT HOUSES WHICH DO NOT COMPLEMENT THE ENVIRONMENT AND FAIL TO MEET SAFETY AND HEALTH REQUIREMENTS.

Statement of A.P. Lutali

MR. CHAIRMAN AND HONORABLE MEMBERS OF THE COMMITTEE, THANK YOU FOR THE OPPORTUNITY TO ONCE AGAIN APPEAR BEFORE YOU AND TO COMMENT UPON AMERICAN SAMOA'S BUDGET REQUEST FOR FY 1987.

THE SUBMISSION TO THE COMMITTEE CONTAINS DETAILED INFORMATION PREPARED BY OUR BUDGET OFFICE. WHAT I WOULD LIKE TO DO IN THESE FEW MINUTES IS MERELY ADDRESS IN AN OVERVIEW FASHION SOME OF THE ACTIONS WE ARE TAKING TO IMPROVE FISCAL RESPONSIBILITY AND CREATE MORE EFFICIENT GOVERNMENT IN THE TERRITORY.

OVER THE PAST YEAR WE HAVE TAKEN WHAT I BELIEVE TO BE SIGNIFICANT STRIDES TOWARD INCREASING LOCAL REVENUES. THE INSTITUTION OF A 2% SALES TAX, THE FIRST SUCH TAX EVER LEVIED IN THE TERRITORY, HAS NOT BEEN WITHOUT ITS TRAUMA AND EXCITEMENT. FOR THE FIRST TIME I CAN REMEMBER, THE GOVERNOR WAS GREETED BY DEMONSTRATORS WHEN I WENT TO ADDRESS THE LEGISLATURE. NEVERTHELESS, I CONGRATULATE OUR LEGISLATURE FOR THEIR WISDOM AND FORTITUDE IN ENACTING SUCH A LAW, WHICH I ANTICIPATE WILL GENERATE CLOSE TO $2 MILLION A YEAR IN NEW REVENUE. ADDITIONALLY, WE WILL SOON BE LEVYING A TAX UPON MISCELLANEOUS FISH, WHICH FOR 20 YEARS HAVE BEEN TRANSHIPPED THROUGH PAGO PAGO WITHOUT THE GOVERNMENT COLLECTING ANY REVENUES. WE ARE ALSO LOOKING TO OTHER MEANS OF LOCAL REVENUE GENERATION.

MEANWHILE, WE HAVE PLACED OUR CUSTOMS OFFICE UNDER TREASURY AND THE IMPROVED ENFORCEMENT HAS RESULTED IN OUR REACHING THIS

YEAR'S PROJECTED EXCISE TAX REVENUES WHILE ONLY 6 MONTHS INTO THE FISCAL YEAR. WE ARE ALSO CONTEMPLATING CUSTOMS USE CHARGES WHICH WILL GENERATE FURTHER INCOME IN THIS AREA. IMPROVED COLLECTION EFFORTS IN OTHER AREAS ARE LEADING TO RESULTS WHICH ARE MORE VISIBLE THAN WE ANTICIPATED.

WE ARE CONTINUING OUR PRIVATIZATION PROGRAM, TO GET THE GOVERNMENT OUT OF OPERATIONS WHICH WE BELIEVE MOST PROPERLY BELONG IN THE PRIVATE SECTOR. A YEAR AGO WE WERE JUST COMPLETING OUR FIRST MAJOR PRIVATIZATION ACTION, THE LEASING TO THE PRIVATE SECTOR OF OUR MARINE RAILWAY. SINCE THEN THE LIQUOR STORE OPERATIONS HAVE BEEN PRIVATIZED; THE SOLID WASTE FUNCTION OF GOVERNMENT HAS BEEN PUT TO BID AND A CONTRACT IS NOW BEING NEGOTIATED WITH THE SUCCESSFUL OFFEROR; A TRIAL ATTEMPT AT PRIVATIZATION OF THE MOTOR POOL IS BEING PREPARED FOR EXECUTION; A HOSPITAL MANAGEMENT CONTRACT IS NOW OUT TO BID; AND WE ARE LOOKING TO THE DEPARTMENT OF THE INTERIOR FOR TECHNICAL ASSISTANCE FOR A FEASIBILITY STUDY TO EXAMINE OPTIONS FOR THE PRIVATIZATION OF OUR ELECTRIC UTILITY.

I AM WELL AWARE OF THE FINANCIAL BURDEN THAT CONFRONTS THE ENTIRE COUNTRY AND I STRONGLY FEEL THAT THE TERRITORY OF AMERICAN SAMOA SHOULD BEAR ITS SHARE OF THE BURDEN. IN RESPONSE TO GRAMM-RUDMAN, I HAVE IMPOSED THROUGH THE REMAINDER OF FISCAL YEAR 1986 A 10% REDUCTION IN ALL OPERATION ACCOUNTS, AND HAVE INSTITUTED OTHER FISCAL CONTROL MEASURES TO GIVE US MORE STRICT ACCOUNTABILITY FOR FINANCIAL MATTERS. THE ABOVE INITIATIVES OF MY ADMINISTRATION TO GENERATE MORE REVENUES SO IT CAN ABSORB A GREATER PORTION OF ITS OPERATING COSTS, SYMBOLIZES OUR COMMITTMENT TO THE NATIONAL EFFORT.

I WOULD LIKE TO TOUCH BRIEFLY ON ONE MORE MATTER. LAST YEAR I CAME BEFORE YOU SEEKING FUNDING FOR MANU'A TRANSPORTATION. INCLUDED WITHIN THAT REQUEST WERE FUNDS TO PURCHASE A PROPER VESSEL FOR SERVING THE MANU'A ISLANDS, LOCATED IN SOME 80 MILES EAST OF PAGO PAGO. BETWEEN THE TIME I APPEARED BEFORE THIS COMMITTEE AND YOUR

FINAL ACTION, IT BECAME NECESSARY FOR US TO TAKE IMMEDIATE ACTION IN VIEW OF THE COMPLETE FAILURE OF OUR PREVIOUS VESSEL, A WORLD WAR II LCU. WE THEREFORE REPROGRAMMED $.5 MILLION OF OUR ECONOMIC STABILIZATION AND EMERGENCY FUND TO FINANCE THE ACQUISITION OF A NEW VESSEL. I ENCLOSED IN THE SUBMISSION TO THIS COMMITTEE EXCHANGES OF CORRESPONDENCE BETWEEN MYSELF AND SENATOR MCCLURE WHERE I FEEL WE HAVE ADDRESSED IN FULL THE PARTICULARS PERTAINING THE TRANSACTION, AND IT INDICATES TO THE COMMITTEE WHY WE FEEL THAT THIS SHOULD BE FUNDED IN FY'86, FOR THE PURPOSE OF REPLENISHING OUR ECONOMIC STABILIZATION AND EMERGENCY FUND. AFTER ALL, ONE OF THE REASONS THAT FUND EXISTS IS TO MEET UNEXPECTED SHORTFALLS IN FEDERAL FUNDING. NEEDLESS TO SAY, A SITUATION WE FACE TODAY.

IN SPITE OF OUR EFFORTS, WE REMAIN EXCESSIVELY DEPENDENT UPON THIS FEDERAL PROCESS FOR REVENUES NECESSARY TO PAY FOR TRADITIONAL GOVERNMENT SERVICES. THAT IS WHY WE ARE HERE TODAY AND THAT IS WHY I AM PETITIONING YOUR HONORABLE COMMITTEE TO APPROVE OUR REQUEST OF $23.6 MILLION TO FINANCE OUR BASIC OPERATION, $2 MILLION FOR OUR ECONOMIC DEVELOPMENT FUND, AND $10.7 TO FUND OUR NEEDED CAPITAL IMPROVEMENT PROJECTS.

IN CLOSING, I WOULD LIKE TO REEMPHASIZE TO YOU THE APPRECIATION OF THE GOVERNMENT AND PEOPLE OF AMERICAN SAMOA FOR THE CONTINUED SUPPORT THE CONGRESS HAS PROVIDED US IN OUR EFFORTS TO BECOME SELF SUSTAINING ECONOMICALLY. IT IS MY FONDEST HOPE THAT SOME TIME IN THE FUTURE WE WILL ACHIEVE OUR GOALS OF SELF-RELIANCE AND SELF-SUFFICIENCY.

AMERICAN SAMOA BUDGET REQUEST

Mr. SUNIA. Mr. Chairman, I want to thank you for the opportunity to come before you once again to tell you about our financial situation. And I would like to take the opportunity also, to express our appreciation for your continuing attention to our needs.

I am aware of the time constraints, so I shall be very brief.

This year, Mr. Chairman, the American Samoa Government requested about $29.6 million in operations assistance. The President's budget proposed $20.7 million of that.

Out of a request of $12.5 million for capital improvement projects, the President's budget is recommending $2.7 million. This represents a reduction of more than 50 percent from last year's total capital improvement projects [CIP] for the territory.

The Interior and Insular Affairs Committee, after its oversight, recommended that Federal assistance for the territory's essential infrastructure needs be continued at a level close to that of the current year and urged appropriation of an additional $990,000 for classrooms, which would include an indoor gymnasium, a continuation of a program you approved last year; about $1 million for housing loans, again a continuation of another program you approved, and begun in 1984; and $600,000 for medical equipment.

I am sure the Governor will tell you about his efforts to increase local revenues to try to meet the additional territorial needs. But I would like to touch on one more item, Mr. Chairman, if I may.

INTERISLAND VESSEL

Last year we requested funds for an interisland government vessel to transfer people and cargo. This was after the sinking of the only commercial boat that had been operating between the islands.

It was also after a careful review and conclusion, that it was very, very difficult for a private operator to make a business go in interisland transfer, and charge at a level that the island residents could afford.

The House approved that request, Mr. Chairman, but it failed to pass review of this committee. And I respectfully request, Mr. Chairman, that that item be reviewed once again this year. The need still exists. And the fact that the local government has acquired a cargo transfer boat does not solve the problem of transferring people.

I was in the territory last week, Mr. Chairman, and I wish I had taken a picture to show you how 200 school kids were transferred from one island to the next on this open LCM type boat. And that is why I say that the need is still there. And I would hope that the island would receive attention this year.

With those brief remarks, Mr. Chairman, I would like to turn the time over to the Governor, who is not new to you, Governor Lutali of our territory.

AMERICAN SAMOA REVENUES

Mr. Lutali. Thank you, Mr. Chairman.

Mr. Chairman and honorable members of the committee, I will read my very brief statement into the records.

It is a pleasure to be once again appearing before you.

The submission to the committee of our budget contains detailed information prepared by our budget office. What I would like to do in these few minutes, is merely address in an overview fashion, some of the action we are taking to improve fiscal responsibility and create more efficient government in our territory.

Over the past year we have taken what I believe to be significant strides toward increasing local revenues. The institution of a 2-percent sales tax, the first such tax ever levied in the territory——

Senator Johnston. That is 2 percent?

Mr. Lutali [continuing]. Has not been without its trauma and excitement.

Senator Johnston. That is 2 percent sales tax?

Mr. Lutali. Yes.

For the first time I can remember, the Governor was greeted by demonstrators when I went to address the legislature. Nevertheless, I congratulate our legislature for their wisdom and fortitude in enacting such a law, which I anticipate will generate close to $2 million a year in new revenue.

Additionally, we will soon be levying a tax upon miscellaneous fish which for 20 years have been transshipped through our territory without the government collecting any revenues.

We are also looking to other means of local revenue generation.

Meanwhile, we have placed our customs office under Treasury and the improved enforcement has resulted in our reaching this year's projected excise tax revenues while only 6 months into the fiscal year.

We are also contemplating customs use charges, which will generate further income in this area. Improved collection efforts in other areas are leading to results which are more visible than we anticpated.

PRIVATIZATION PROGRAM

We are continuing our privatization program to get the government out of operations which we believe most properly belong in the private sector. A year ago we were just completing our first major privatization action; the leasing to the private sector of our marine railway. Since then the liquor store operations have been privatized, the solid waste function of government has been put to bid, and a contract is now being negotiated with the successful offeror.

A trial attempt of privatization of the motor pool is being prepared for execution. A hospital management contract is now out for bid, and we are looking to the Department of the Interior for technical assistance for a feasibility study to examine options for the privatization of our electric utility.

GRAMM-RUDMAN REDUCTIONS

I am well aware of the burden that confronts the entire country and I strongly feel that the territory of American Samoa should bear its share of the burden.

In response to the Gramm-Rudman, I have imposed through the remainder of fiscal year 1986, a 10-percent reduction in all operation accounts, and have instituted other fiscal control measures to give us more strict accountability for financial matters.

The above initiatives of my administration to generate more revenues so it can absorb a greater portion of its operating costs, symbolizes our commitment to the national effort.

INTERISLAND VESSEL

I would like to touch briefly on one more matter, Mr. Chairman. Last year I came before you seeking funding for Manu'a transportation. Included within that request were funds to purchase a proper vessel for serving the Manu'a Islands located some 80 miles east of Pago Pago.

Between the time I appeared before this committee and your final action, it became necessary for us to take immediate action in view of the complete failure of our previous vessel, a World War II LCU. We, therefore, reprogrammed $.5 million of our economic stabilization and emergency fund to finance the acquisition of a new vessel.

I enclosed in the submission to this committee, exchanges of correspondence between myself and Senator McClure, where I feel we have addressed in full the particulars pertaining to the transaction. And it indicates to the committee why we feel this should be funded in 1986 for the purpose of replenishing our economic stabilization and emergency fund. After all, one of the reasons that fund exists is to meet unexpected shortfalls in Federal funding, needless to say, a situation we face today.

In spite of our efforts, we remain excessively dependent upon this Federal process for revenues necessary to pay for traditional government services. That is why we are here today, Mr. Chairman. And that is why I am petitioning your honorable committee to approve our request for $23.6 million to finance our basic operation; $2 million for our economic development fund; and $10.7 million to fund our needed capital improvements.

In closing, I would like to reemphasize to you the appreciation of the government and people of American Samoa for the continued support the Congress has provided us in our efforts to become self-sustaining economically.

It is my fondest hope that sometime soon we will achieve our goals of self-reliance and self-sufficiency.

Thank you very much for the opportunity.

INDUSTRIAL DEVELOPMENT

Senator JOHNSTON. Thank you very much, Governor.

The economic stabilization and emergency fund is used to pay for shortfalls in governmental revenues, you say?

Mr. LUTALI. Yes, Mr. Chairman.

Senator JOHNSTON. And the economic development fund is used for bringing in industry?

Mr. LUTALI. Yes, your Honor.

Senator JOHNSTON. What do you consider your most promising prospects for industry at this point?

Mr. LUTALI. Mr. Chairman, we are now in the process of completing negotiations with new industries that would come into American Samoa. And there is great promise. And we believe with the establishment of new industries we will increase our employment and local revenues.

Senator JOHNSTON. What kind of industries are these?

Mr. LUTALI. I beg your pardon, sir?

Senator JOHNSTON. What kind of industry?

Mr. LUTALI. Well, we are completing negotiation with an Australian firm to raise vegetables in American Samoa through the new process of hydrophonics. And they will employ up to 200 people.

There are also textile companies from Fiji and New Zealand, who are finalizing negotiations with us.

We have just completed an agreement, an economic agreement with the Kingdom of Tonga. We signed that agreement last month to establish trade relations. And they will establish a trade center in American Samoa as an outlet for their agriculture and handicraft products.

So we are moving ahead, Mr. Chairman, in developing these things. What we need is a little time to get this thing on track.

Senator JOHNSTON. Well, thank you very much, Governor. We will certainly do on this committee everything we can to fund your budget. You are fully aware, and I know Fofo is aware of the problems we have got with Gramm-Rudman on funding everything. But we understand your priorities and will do everything we can to take care of your needs.

Thank you very much, gentlemen.

AMERICAN SAMOA CAPITAL IMPROVEMENTS

Mr. MATAUTIA. Mr. Chairman, I am sure you want to listen to your counterpart in the legislature. I am speaking on behalf of the Honorable Letalu, who is the president of the senate, and myself as speaker of the house.

Senator JOHNSTON. We are delighted to welcome you as well.

Mr. MATAUTIA. You have our testimony. We fully support the budget for 1987 for the Government of American Samoa submitted by our Governor here.

One point that we want to stress to your honorable committee, Mr. Chairman, is our CIP or capital improvements money as listed in our budget there. Mr. Chairman, they are our basic needs for lifeline of the people of American Samoa; water transportation, the boat that the Governor was talking about for the Manu'a Islands; education, classrooms, et cetera, et cetera.

We just want to reiterate the importance of those basic needs for the people of America Samoa.

God bless you.

Senator JOHNSTON. Thank you, Mr. Speaker. We appreciate that.

Do we also have the president of the senate?

Mr. MATAUTIA. I am representing both of us, so I am speaking for the entire legislature.

Mr. SUNIA. He is collecting two compensations today. He is also the president's talking chief. [Laughter.]

Senator JOHNSTON. We never let the House speak for the Senate in the U.S. Congress. [Laughter.]

Mr. SUNIA. The problem is in Samoa, the house never listens to the senate. [Laughter.]

Thank you very much, Mr. Chairman.

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GUAM

STATEMENT OF BEN BLAZ, U.S. DELEGATE FROM GUAM, U.S. HOUSE OF REPRESENTATIVES

ACCOMPANIED BY:

RICARDO J. BORDALLO, GOVERNOR
CARL T. GUTIERREZ, SPEAKER

PREPARED STATEMENTS

Senator JOHNSTON. Next, we are happy to welcome from Guam, Congressman Ben Blaz as well as—I do not see Gov. Ricky Bordallo.

Mr. BLAZ. He is here, sir.

Senator JOHNSTON. Come up, Ricky. I did not see you there.

Welcome, gentlemen, to you both. I understand you also have the speaker of the house. A very distinguished group from Guam. We are happy to welcome you, gentlemen.

[The statements follow:]

STATEMENT OF BEN BLAZ

THANK YOU FOR THE OPPORTUNITY TO OFFER TESTIMONY ON THE PROPOSED FY 1987 BUDGET FOR THE TERRITORY OF GUAM.

THE FY 1987 DEPARTMENT OF INTERIOR BUDGET AS SUBMITTED BY THE PRESIDENT PROVIDED LIMITED FUNDS FOR NEEDED CAPITAL IMPROVEMENT PROJECTS FOR GUAM. WHILE WE ALL RECOGNIZE THE PRESIDENT'S EFFORTS TO BALANCE THE NATIONAL BUDGET BY IMPLEMENTATION OF THE GRAMM-RUDMAN-HOLLINGS ACT, THIS CONGRESS HAS FOR SOME TIME RECOGNIZED THE IMPORTANCE OF THE ROLE OF THE FEDERAL GOVERNMENT IN THE DEVELOPMENT OF INFRASTRUCTURE IN GUAM. SUCH A POLICY EMBRACES NATIONAL SECURITY AND ECONOMIC DEVELOPMENT NEEDS, THUS ENSURING THAT AMERICANS ON GUAM HAVE ACCESS TO THE BASIC SOCIAL AND ECONOMIC SERVICES THAT ARE AVAILABLE TO AMERICANS ELSEWHERE.

CONGRESS HAS ALSO RECOGNIZED THAT THE PROVISION OF INFRASTRUCTURE IN THE SHORT-RUN WILL ENABLE THE TERRITORIAL GOVERNMENT TO ASSUME A GREATER SHARE IN THE RESPONSIBILITY FOR THE FINANCING OF OTHER CAPITAL PROJECTS IN THE LONG-RUN. PUBLIC INVESTMENTS IN FACILITIES CONTRIBUTE TO THE ECONOMIC DEVELOPMENT OF COMMUNITIES. THE AVAILABILITY OF MODERN PUBLIC FACILITIES SERVES AS A CATALYST TO ATTRACT NEW INDUSTRIES AND BUSINESSES, WHICH IN TURN CREATE JOBS AND OTHER SERVICES FOR THE COMMUNITY. CAPITAL IMPROVEMENT FUNDING IS AN INTEGRAL COMPONENT IN GUAM'S EFFORTS TO BECOME ECONOMICALLY SELF-SUFFICIENT AND TO REDUCE ITS OVERALL DEPENDENCE UPON THE FEDERAL GOVERNMENT FOR FINANCIAL ASSISTANCE. FOR THESE REASONS, I AM APPEALING TO YOU FOR CONSIDERATION AND SUPPORT FOR APPROPRIATIONS ON CERTAIN PRIORITY ITEMS WHICH DIRECTLY AFFECT THE HEALTH AND WELFARE OF THE CITIZENS OF THE TERRITORY OF GUAM.

WATER PROJECTS:

THE DEFICIENCY OF THE WATER INFRASTRUCTURE DEVELOPMENT IN GUAM, PARTICULARLY IN WATER TRANSMISSION AND DISTRIBUTION, IS SO SERIOUS THAT IT HAS LED TO CRISIS CONDITIONS IN THE SOUTHERN PART OF THE TERRITORY. IN ADDITION, THE GUAM WATER DELIVERY AND STORAGE SYSTEM IS IN NEED OF CONSTRUCTION OF NEW LINES AND STORAGE FACILITIES AND EXTENSIVE REPAIR TO EXISTING ONES. IN RECOGNITION OF THIS PROBLEM, CONGRESS AUTHORIZED $16.3 MILLION IN PUBLIC LAW 98-454 TO FUND THE NECESSARY IMPROVEMENTS. I AM PLEASED THAT THE PRESIDENT HAS INCLUDED IN THE BUDGET $3,500,000 FOR GUAM'S WATER SYSTEM FOR FY 1987. THESE FUNDS WOULD BE USED TO RENOVATE THE MANGILAO TO CHALAN PAGO WATER LINES. I SEEK YOUR FAVORABLE SUPPORT FOR THE FULL AMOUNT REQUESTED BY THE ADMINISTRATION.

MENTAL HEALTH/DRUG ABUSE FACILITY:

THE PEOPLE OF GUAM ARE DEEPLY GRATEFUL FOR THE APPROPRIATIONS MADE IN FY 1986 TO DESIGN A MENTAL HEALTH/DRUG ABUSE FACILITY IN GUAM. THIS FACILITY IS BADLY NEEDED BECAUSE CARE IS CURRENTLY PROVIDED IN THE OLD GUAM MEMORIAL HOSPITAL WHICH HAS SERIOUS STRUCTURAL DEFICIENCIES, POSING A THREAT TO SAFETY AS WELL HINDERING THE TREATMENT OF PATIENTS. WE ARE SEEKING AT THIS TIME $1,450,000 FOR THE FIRST PHASE OF CONSTRUCTION WHICH WILL ACCOMMODATE ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH SERVICES.

GUAM POWER AUTHORITY LOAN SUBSIDY:

WE ARE EQUALLY GRATEFUL FOR THE INITIATIVES TAKEN BY CONGRESS TO ENSURE THAT GUAM HAS RELIABLE, ADEQUATE, AND REASONABLE ELECTRIC POWER SERVICE AND TO PUT THE GUAM POWER AUTHORITY ON A SOUND FINANCIAL BASE.

THE OMNIBUS TERRITORIES ACT OF 1984 REQUIRED THE SECRETARY OF THE INTERIOR TO GUARANTEE THE REFINANCING OF AN EXISTING $36 MILLION

LOAN TO THE GUAM POWER AUTHORITY (GPA) BY THE FEDERAL FINANCING BANK (FFB), AND AUTHORIZED TO BE APPROPRIATED TO THE SECRETARY SUCH SUMS AS ARE NECESSARY TO PAY THE REPURCHASE PAYMENT THAT MAY BE REQUIRED, AND THE INTEREST RATE DIFFERENTIAL BETWEEN THE SEVEN PERCENT FIXED RATE GUARANTEED TO GPA AND THE FFB INTEREST RATE. I SEEK YOUR SUPPORT OF THE ADMINISTRATION'S REQUEST OF $1,606,000 AS THE FY 1987 ESTIMATE FOR THE PAYMENT OF THE INTEREST RATE DIFFERENTIAL. I ALSO REQUEST YOUR FAVORABLE SUPPORT TO INCREASE THIS AMOUNT TO $1,966,000, THE DIFFERENCE IS THE AMOUNT TO BE SEQUESTERED UNDER GRAMM-RUDMAN-HOLLINGS. SUCH AN INCREASE WOULD ENABLE THE DEPARTMENT OF INTERIOR TO MEET ITS FISCAL YEAR 1986 OBLIGATION REGARDING THE DEBT IN FISCAL YEAR 1987.

SECTION 30 FUNDS:

FOR THE PAST THIRTY FIVE YEARS, FEDERAL INCOME TAX COLLECTIONS FROM FEDERALLY-EMPLOYED GUAM RESIDENTS HAVE BEEN COLLECTED BY THE U.S. TREASURY AND SUBSEQUENTLY TRANSFERRED BACK INTO THE TERRITORIAL TREASURY. THESE REVENUES DERIVED FROM THE TERRITORY CONSTITUTE AN OBLIGATION OF THE FEDERAL GOVERNMENT TO GUAM PRIOR TO THEIR COLLECTION. THE PROCEDURE ESTABLISHED UNDER AUTHORITY OF SECTION 30 OF THE ORGANIC ACT OF GUAM PROVIDES THAT THE SECRETARY OF TREASURY, PRIOR TO THE COMMENCEMENT OF ANY FISCAL YEAR, SHALL REMIT TO THE GOVERNMENT OF GUAM THE AMOUNT OF DUTIES, TAXES, AND FEES WHICH GUAM AND THE DEPARTMENT OF INTERIOR HAVE ESTIMATED WILL BE COLLECTED IN OR DERIVED FROM THE TERRITORY. AT THE END OF THE FISCAL YEAR, THE U.S. TREASURY DEDUCTS OR ADDS TO THE AMOUNTS ACTUALLY COLLECTED DURING THE PRIOR YEAR. THESE COLLECTIONS ARE NOT APPROPRIATIONS FROM THE FEDERAL GOVERNMENT.

THE IMPLEMENTATION OF THE GRAMM-RUDMAN-HOLLINGS ACT, WHICH HAS RESULTED IN AN INTERPRETATION THAT FEDERAL TAX COLLECTIONS FOR AND FROM GUAM ARE RESOURCES ELIGIBLE TO BE SEQUESTERED TO MEET DEFICIT REDUCTION TARGETS, IS CONTRADICTING THE TIME-HONORED COMMITMENT TO PASS ON THESE ESTIMATED COLLECTIONS IN FULL. WITHHOLDING A PORTION OF THESE COLLECTIONS FOR FEDERAL USE WOULD RESULT IN AN UNPRECEDENTED TRANSFER OF RESOURCES FROM THE TERRITORIAL TO THE FEDERAL GOVERNMENT.

AS THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET HAS EARLIER TESTIFIED BEFORE THE SENATE COMMITTEE ON IDENTIFYING SEQUESTRATION OF THESE PAYMENTS AS A DEFICIENCY IN PUBLIC LAW 99-177, THESE "FUNDS APPEAR IN THE BUDGET AS AN INCIDENTAL MATTER FOR CONVENIENCE OF ADMINISTRATION RATHER THAN AS A MEANS OF RESOURCE ALLOCATION."

I AM SEEKING YOUR FAVORABLE CONSIDERATION IN APPROPRIATING THE AMOUNT OF $29 MILLION ESTIMATED BY THE ADMINISTRATION TO BE COLLECTED IN FISCAL YEAR 1987 FOR GUAM, AND AN ADDITIONAL SUM OF $1,290,000, THE AMOUNT BEING SEQUESTERED IN FISCAL YEAR 1986.

ALIEN WORKERS:

IN ORDER TO PROVIDE MORE JOBS FOR THE AMERICAN CITIZENS IN GUAM AND TO ENSURE THAT FEDERAL CAPITAL IMPROVEMENT FUNDS REMAIN IN THE TERRITORY'S ECONOMY I ASK YOU TO HELP ME PHASEOUT THE USE OF ALIEN WORKERS ON ALL SUCH CAPITAL PROJECTS. OVER THE DECADES, SINCE THE END OF WORLD WAR II, GUAM'S CONSTRUCTION ECONOMY HAS BEEN DEPENDENT ON THE USE OF ALIEN LABOR TO THE DETRIMENT OF OUR AMERICAN WORKERS. CONSTRUCTION MONIES IN THE FORM OF WAGES AND PROFITS ARE CONSEQUENTLY SENT OUT OF GUAM BY FOREIGN WORKERS AND COMPANIES INSTEAD OF CIRCULATING THROUGHOUT THE ISLAND'S ECONOMY.

GUAM IS DOUBLY DISADVANTAGED BY THIS PRACTICE. FIRST, GUAMANIAN COMPANIES LOSE THESE PROJECTS AND YOUNG GUAMANIANS ARE NOT HIRED FOR THE JOBS. SECOND, THE PROJECT FUNDS LEAVE THE TERRITORY WITHOUT EVER BEING SPENT FOR HOMES, GROCERIES AND SERVICES. THE

TIME HAS COME TO ENSURE THAT THE MONEY SPENT BY CONGRESS TO STIMULATE GUAM'S ECONOMY ACTUALLY STAYS IN GUAM. THIS CAN BE ACCOMPLISHED MOST SIMPLY BY REQUIRING THAT THE LABOR USED ON THESE CAPITAL IMPROVEMENT PROJECTS MUST BE AMERICAN. I AM PROVIDING THIS COMMITTEE A COPY OF THE LANGUAGE TO ACCOMPLISH THIS GOAL FOR YOUR CONSIDERATION AND ASK YOU TO GIVE IT YOUR SUPPORT. THIS AMERICAN LABOR REQUIREMENT WILL MULTIPLY THE BENEFITS OF THESE CAPITAL PROJECTS TO BOTH GUAM AND OUR NATION'S ECONOMY AND LEAD MORE QUICKLY TO A SELF-SUFFICIENT GUAM.

THANK YOU.

Statement of Ricardo J. Bordallo

MR. CHAIRMAN AND MEMBERS OF THE APPROPRIATIONS SUBCOMMITTEE ON INTERIOR: ON BEHALF OF ALL THE PEOPLE OF GUAM, I OFFER A WARM HAFA ADAI AND OUR SINCERE SI YU'US MA'ASE FOR THIS OPPORTUNITY TO PRESENT TESTIMONY ON THE URGENT FUNDING NEEDS FOR ESSENTIAL IMPROVEMENTS TO OUR ISLAND INFRASTRUCTURE.

THE CONGRESS HAS TRADITIONALLY RECOGNIZED ITS UNIQUE RESPONSIBILITY TO THE TERRITORIES BY PROVIDING DIRECT FUNDING TO MEET THEIR CRITICAL NEEDS. IN GUAM'S CASE THIS HAS NOT MEANT OPERATIONAL FUNDING, BUT RATHER INVESTMENT IN CAPITAL IMPROVEMENTS.

I WOULD LIKE TO THANK THIS COMMITTEE, AS WELL AS THE OVERSIGHT COMMITTEE, FOR ITS CONSISTENT SUPPORT OVER THE YEARS. THESE GRANTS REPRESENT MORE THAN JUST AN INVESTMENT IN GUAM'S POLITICAL, SOCIAL, AND ECONOMIC DEVELOPMENT, AS STATED IN THE DEPARTMENT OF INTERIOR MISSION STATEMENTS. AS ALL OF YOU KNOW, THESE GRANTS ALSO REPRESENT A STRONG INVESTMENT IN THE NATIONAL SECURITY OF THE UNITED STATES.

GUAM'S STRATEGIC IMPORTANCE TO THE NATIONAL SECURITY OF THIS COUNTRY IS UNIQUE AMONG U.S. TERRITORIES. AS THE ONLY AMERICAN SOIL EVER TO BE OCCUPIED BY ENEMY FORCES, GUAM UNDERSTANDS THAT NO PRICE IS TOO GREAT TO PAY IN THE DEFENSE OF LIBERTY. CLEARLY, MAINTAINING THE STRENGTH OF AMERICA'S POSITION IN THE PACIFIC BASIN MEANS MAINTAINING A STRONG ECONOMY AND PUBLIC INFRASTRUCTURE ON GUAM.

OUR NEEDS ARE GREAT AND OUR POLITICAL POWER IS SMALL. OUR PEOPLE ARE NOT UNGRATEFUL FOR THE SUPPORT WE HAVE RECEIVED OVER THE YEARS FROM THE CONGRESS AND THE DEPARTMENT OF INTERIOR. HOWEVER, IN LIGHT OF OUR ISLAND'S LONG-STANDING AND UNQUESTIONING CONTRIBUTIONS TO THE NATIONAL GOOD, IT IS SOMETIMES DIFFICULT FOR THEM TO UNDERSTAND WHEN OUR NEEDS ARE RECOGNIZED, YET UNFUNDED.

WE ARE EXTREMELY CONCERNED ABOUT THE IMPACT OF THE GRAMM-RUDMAN DEFICIT REDUCTION ACT ON OUR TERRITORY.

ALL FEDERAL INCOME TAXES DERIVED FROM THE TERRITORY ARE REMITTED TO GUAM BY THE U.S. TREASURY UNDER THE PROVISIONS OF SECTION 30 OF THE ORGANIC ACT OF GUAM. FOR TECHNICAL REASONS, THESE SO-CALLED SECTION 30 FUNDS ARE APPROPRIATED ANNUALLY BY THE CONGRESS TO THE TERRITORY. HOWEVER, THESE ARE NOT FEDERAL EXPENDITURES, BUT RATHER TERRITORIAL REVENUES THAT ARE COLLECTED BY THE U.S. TREASURY.

YET, UNDER THE PRESIDENT'S BUDGET, THESE FUNDS ARE SUBJECT TO SEQUESTRATION UNDER GRAMM-RUDMAN. THIS IS CLEARLY NOT CORRECT. WE SEEK YOUR SUPPORT TO EITHER CHANGE THE INTERPRETATION OF GRAMM-RUDMAN OR MAKE UP THE SEQUESTERED AMOUNTS.

A SIMILAR SITUATION EXISTS RELATIVE TO THE CONGRESS'S COMMITMENT TO PAY A PORTION OF THE COST OF FINANCING THE GUAM POWER

AUTHORITY'S DEBT. WE ASK THAT THIS SUBSIDY EITHER BE EXEMPTED FROM GRAMM-RUDMAN OR THAT THE FEDERAL SUBSIDY BE RESTORED THROUGH APPROPRIATION.

THE FINANCIAL SITUATION OF THE GOVERNMENT OF GUAM CLOSELY PARALLELS THAT OF THE FEDERAL GOVERNMENT. THE PROGRAM OF ECONOMIC REARMAMENT THAT I LAUNCHED WHEN I CAME INTO OFFICE IN 1983 HAS BEEN SUCCESSFUL BEYOND EXPECTATION. OUR LOCAL ECONOMY IS ENJOYING ITS GREATEST BOOM OF THE POSTWAR YEARS. YET THE DEMAND FOR GOVERNMENT SERVICES CONTINUES UNABATED AND THERE IS EXTREME PRESSURE NOT TO INCREASE TAXES. AS A RESULT, THE GOVERNMENT'S DEFICIT HAS INCREASED TO AN ALARMING LEVEL.

IN RESPONSE, I HAVE SUBMITTED A COMPREHENSIVE DEFICIT ELIMINATION PLAN TO OUR LEGISLATURE DESIGNED TO ELIMINATE THE DEFICIT OVER THE NEXT FIVE YEARS. THE PLAN INCLUDES STRINGENT COST CONTAINMENT, TAX REFORM, PRIVATIZATION OF GOVERNMENT SERVICES, AND THE RE-SCHEDULING OF OUR GENERAL FUND'S DEBT TO THE GOVERNMENT RETIREMENT FUND THROUGH A GENERAL OBLIGATION BOND.

THE GOVERNMENT OF GUAM HAS SHOWN THE WILLINGNESS AND THE ABILITY TO RAISE CAPITAL FUNDS ON THE BOND MARKET THROUGH OUR SUCCESSFUL EXECUTION LAST YEAR OF A $35 MILLION HIGHWAY PROJECT REVENUE BOND. THE COLLECTION OF RECEIVABLES TO THE GUAM TREASURY HAS BEEN ACCELERATED. YET, OUR LOCAL RESOURCES ARE STILL INADEQUATE TO MEET OUR MOST PRESSING CAPITAL IMPROVEMENT NEEDS.

FOR THIS REASON, I APPEAR BEFORE YOU TODAY TO SEEK YOUR THOUGHTFUL CONSIDERATION OF FIVE PROJECTS OF VITAL IMPORTANCE TO THE ECONOMIC AND SOCIAL HEALTH AND WELFARE OF OUR PEOPLE. TWO OF THE FIVE PROJECTS -- THE WATER SYSTEM IMPROVEMENTS AND THE MENTAL HEALTH FACILITY -- HAVE PREVIOUSLY BEEN AUTHORIZED. THE PEOPLE OF GUAM SEEK YOUR SUPPORT OF THESE AND THREE OTHER PROJECTS FOR A TOTAL FUNDING REQUEST OF $45.8 MILLION. COMPREHENSIVE PROJECT DESCRIPTIONS HAVE BEEN PROVIDED TO COMMITTEE STAFF IN THE FORM OF CAPABILITY STATEMENTS. THEREFORE, I WILL CONFINE THE REST OF MY COMMENTS TO A BRIEF OVERVIEW OF OUR REQUESTS.

ORDOT LANDFILL

ALL OF OUR TERRITORY'S WASTE IS HANDLED BY A SINGLE DUMP -- THE ORDOT LANDFILL. WE NEED $2.3 MILLION TO UPGRADE THE FACILITY TO BRING IT INTO COMPLIANCE WITH THE RESOURCE CONSERVATION AND RECOVERY ACT.

THE ORDOT LANDFILL IS OVER 40 YEARS OLD. IT WAS FIRST USED AS A DUMP SITE BY THE JAPANESE DURING THE WORLD WAR II OCCUPATION OF GUAM. AFTER THE LIBERATION OF GUAM IN 1944, U.S. ARMED FORCES CONTINUED TO USE THE SITE THROUGH THE MID-1950'S. RECORDS INDICATE THAT MUNITIONS AND ASSORTED CHEMICALS WERE DUMPED IN THE LANDFILL DURING MOP-UP OPERATIONS FOLLOWING THE WAR.

TO THIS DAY, THE ORDOT LANDFILL SERVES AS THE ONLY CIVILIAN WASTE DISPOSAL FACILITY ON OUR ISLAND. AS A RESULT OF A WIDE RANGE OF ENVIRONMENTAL CONCERNS, THE ORDOT LANDFILL HAS BEEN ON THE NATIONAL PRIORITY LIST SINCE 1982 AS A SUPERFUND CANDIDATE. A STUDY TO BE COMPLETED THIS YEAR WILL DETERMINE THE LEVEL AND EXTENT OF TOXIC AND HAZARDOUS WASTES PRESENT IN THE DUMP.

YOUR SUPPORT OF THIS PROJECT WOULD ALLOW US TO UPGRADE AND EXPAND THE LANDFILL TO INCREASE ITS CURRENT PROJECTED USEFUL LIFE OF TWO YEARS BY ANOTHER 20 YEARS. THE ONLY ALTERNATIVE IS THE DEVELOPMENT OF A NEW LANDFILL AT TWICE THE COST OF THIS PROJECT.

WATER SYSTEM IMPROVEMENTS

OUR ISLAND WATER SYSTEM HAS BEEN A LONG-STANDING TOPIC OF MUTUAL CONCERN HERE IN THE CONGRESS AND AT HOME. WE SEEK FUNDING FOR FOUR PROJECTS TOTALLING $13 MILLION.

PRIOR FUNDING SUPPORT FROM THE CONGRESS HAS CONTRIBUTED SIGNIFICANT IMPROVEMENTS TO THE SYSTEM. WE HAVE MADE IT THROUGH THE DRY SEASON SO FAR THIS YEAR WITHOUT THE CHRONIC SHORTAGES THAT HAVE PLAGUED US IN PREVIOUS YEARS. BUT PROBLEMS STILL RIDDLE THE SYSTEM, WHICH WE INHERITED FROM THE NAVAL GOVERNMENT AND WHICH HAS BEEN HARD PRESSED TO MEET THE DEMANDS OF OUR BURGEONING POPULATION.

THE SYSTEM IS MANAGED BY OUR PUBLIC UTILITY AGENCY OF GUAM, WHICH HAS MADE CONSIDERABLE ADVANCES IN ITS UPHILL BATTLE TO MAINTAIN AN AGING SYSTEM AND CLOSE THE GAPS IN WATER SERVICE TO THE PUBLIC. THE P.U.A.G. HAS RECENTLY IMPLEMENTED A RATE INCREASE MANDATED BY OUR PUBLIC UTILITIES COMMISSION TO PROVIDE FOR FULL COST RECOVERY. THIS NEW RATE STRUCTURE WILL REPLACE THE FORMERLY MASSIVE SUBSIDIES TO THE AGENCY FROM THE GOVERNMENT'S GENERAL FUND. HOWEVER, THE AGENCY IS ONLY ALLOWED BY LAW TO GENERATE REVENUE SUFFICIENT TO COVER THE COST OF ITS OPERATIONS.

WE THEREFORE ASK YOUR SUPPORT FOR CAPITAL FUNDING TO CONSTRUCT TWO NEW RESERVOIRS AND BUILD 22.7 MILES OF TRANSMISSION AND DISTRIBUTION LINES.

MENTAL HEALTH FACILITY

FOR FISCAL YEAR 1986, CONGRESS APPROPRIATED $199,000 FOR ARCHITECTURE AND ENGINEERING DESIGNS FOR A NEW GUAM MENTAL HEATH FACILITY. OUR DEPARTMENT OF PUBLIC WORKS IS WORKING CLOSELY WITH THE DEPARTMENT OF MENTAL HEALTH TO COMPLETE THE DESIGN WORK IN THE HOPE THAT CONGRESS WILL PROVIDE $4.2 MILLION FOR CONSTRUCTION IN THE COMING FISCAL YEAR.

THE DEPARTMENT OF MENTAL HEALTH CURRENTLY OPERATES OUT OF PART OF AN ABANDONED HOSPITAL FACILITY. ALTHOUGH THE DEPARTMENT HAS MADE SIGNIFICANT IMPROVEMENTS USING IN-HOUSE RESOURCES, THE FACILITY'S FUNDAMENTAL STRUCTURAL AND SAFETY PROBLEMS ARE INCURABLE.

IN ADDITION TO OUT-PATIENT SERVICES, THE DEPARTMENT IS MANDATED TO PROVIDE IN-PATIENT SERVICES TO THE MENTALLY RETARDED, THE CHRONICALLY MENTALLY ILL, THE CRIMINALLY INSANE, THE ACUTELY MENTALLY ILL, AND COURT REFERRALS FOR PSYCHIATRIC EVALUATION. THE DEPARTMENT'S CURRENT QUARTERS DO NOT ALLOW ADEQUATE SEGREGATION OF THESE VARIOUS CLASSES OF PATIENTS, WHICH HAS LED TO A STRING OF COURT SUITS AGAINST THE GOVERNMENT.

SOUTHERN HIGH SCHOOL

RECENT POLITICAL DEVELOPMENTS IN THE WESTERN PACIFIC SERVE TO UNDERSCORE GUAM'S VITAL AND STRATEGIC ROLE IN MAINTAINING A STRONG AMERICAN PRESENCE IN THE REGION.

HOWEVER, THERE IS A GROWING CONCERN THAT OUR EDUCATIONAL FACILITIES ARE NOT ADEQUATE TO MEET THE GROWING POPULATION OF OUR SOUTHERN COMMUNITIES, AS WELL AS THE INCREASING POPULATION OF MILITARY DEPENDENTS ASSOCIATED WITH U.S. NAVAL STATION GUAM.

THE SOUTHERN DISTRICT IS CURRENTLY SERVED BY TWO HIGH SCHOOLS, WHICH WERE CONVERTED FROM JUNIOR HIGH SCHOOLS. AS A RESULT, THEY LACK MANY OF THE REQUISITE FACILITIES OF A FULLY FUNCTIONING SENIOR HIGH SCHOOL. THE INCREASE IN MILITARY DEPENDENTS EXPECTED FROM THE ADDITIONAL HOMEPORTING OF NAVAL

VESSELS AT APRA HARBOR WILL TAX THESE SCHOOLS TO THE POINT WHERE CONTINUED ACCREDITATION COULD BE JEOPARDIZED.

THE PROPOSED $18 MILLION PROJECT WILL PROVIDE A MUCH-NEEDED SOUTHERN HIGH SCHOOL THAT WE CAN MATCH THE EDUCATIONAL OPPORTUNITIES PROVIDED TO THE YOUNG PEOPLE OF OUR SOUTHERN COMMUNITIES, AS WELL AS NAVAL STATION DEPENDENTS TO THE OPPORTUNITIES AVAILABLE TO THEIR NORTHERN AREA COUNTERPARTS.

COMMERCIAL PORT INDUSTRIAL PARK AND INFRASTRUCTURE UPGRADE

THE TWO LARGEST IMPEDIMENTS TO THE FULL DEVELOPMENT OF GUAM'S COMMERCIAL PORT AREA HAVE BEEN THE CLOSE PROXIMITY OF THE NAVY'S AMMUNITION WHARF AND ITS ASSOCIATED PROTECTIVE ZONE AND THE EXTENSIVE MILITARY LAND HOLDING SURROUNDING THE PORT AREA.

WITH THE TRANSFER OF SEVERAL LARGE LAND TRACTS FROM THE NAVY TO THE GOVERNMENT OF GUAM AS MANDATED BY CONGRESS, AND THE RELOCATION OF THE AMMUNITION WHARF TO THE NAVY SIDE OF APRA HARBOR, PORT DEVELOPMENT CAN NOW PROCEED TO ITS FULL POTENTIAL.

LIKE THE TUMON BAY ROAD RECONSTRUCTION PROJECT, THE PORT PROJECT ENVISIONS A TOTAL PLANNING APPROACH TO DEVELOPMENT. YOUR FAVORABLE CONSIDERATION OF OUR REQUEST FOR $8.3 MILLION WILL FUND THE DESIGN WORK FOR A 50-ACRE MARINE-ORIENTED INDUSTRIAL PARK AT THE PORT AND THE CONSTRUCTION OF AN INTEGRATED WATER SYSTEM FOR THE AREA.

THE NEW WATER SYSTEM IS NECESSARY TO REPLACE THE CURRENT NAVY-OWNED SYSTEM, WHICH SERVES BOTH THE CIVILIAN POPULATION IN THE AREA AND COMMERCIAL ACTIVITIES AT THE PORT. BECAUSE THE CURRENT LINES ARE OVERBURDENED, THE NAVY IS DISCOURAGING NEW WATER HOOK-UPS. THE COMMERCIAL PORT AREA CANNOT MEET ITS FULL POTENTIAL FOR DEVELOPMENT UNTIL A NEW INTEGRATED WATER SYSTEM IS INSTALLED TO SERVE BOTH THE CIVILIAN POPULATION OF THE SURROUNDING AREA AND THE HEAVY-DUTY NEEDS FOR FRESH WATER OF INDUSTRIAL ACTIVITY.

IN CONCLUSION, WE ARE AWARE OF THE SEVERE BUDGET PRESSURES FACING THE FEDERAL GOVERNMENT, AND THE COMPLICATIONS INTRODUCED BY GRAMM-RUDMAN. OUR LOCAL GOVERNMENT FACES SIMILAR PRESSURES AND IS CONTEMPLATING SIMILAR ACTION TO ADDRESS THEM.

NEVERTHELESS, THE PEOPLE OF GUAM HAVE FAITH THAT THE CONGRESS WILL NOT ALLOW GRAMM-RUDMAN TO STAND IN THE WAY OF ITS UNIQUE RESPONSIBILITIES AND COMMITMENTS TO OUR TERRITORY. WE RESPECTFULLY REQUEST YOUR CAREFUL AND FAVORABLE CONSIDERATION OF OUR REQUESTS. WE ARE RELUCTANT TO ASK FOR HANDOUTS. YET, WE BELIEVE THAT THIS RELATIVELY SMALL INVESTMENT IN GUAM'S CAPITAL INFRASTRUCTURE WILL ASSURE OUR TERRITORY'S CONTINUED ECONOMIC DEVELOPMENT AND LESSEN OUR DEPENDENCE ON FEDERAL ASSISTANCE IN THE FUTURE.

ONCE AGAIN, ON BEHALF OF ALL THE PEOPLE OF GUAM, I EXTEND OUR MOST SINCERE SI YU'US MA'ASE FOR YOUR CONTINUED FAVORABLE CONSIDERATION OF OUR NEEDS.

THANK YOU.

STATEMENT OF CARL T.C. GUTIERREZ

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS CARL T.C. GUTIERREZ, AND I AM THE SPEAKER OF THE EIGHTEENTH GUAM LEGISLATURE. I AM HERE TO EXPRESS MY STRONG SUPPORT FOR THE BUDGET THAT HAS BEEN WORKED OUT WITH THE DEPARTMENT OF THE INTERIOR. IT IS ONE THAT IS NECESSARY FOR THE CONTINUED DEVELOPMENT OF THE TERRITORY, PARTICULARLY IN LIGHT OF THE POSSIBLE FUTURE EFFECTS OF GRAMM-RUDMAN BUDGET REDUCTIONS.

IF THE COURT RULES THAT THE GRAMM-RUDMAN ACT IS CONSTITUTIONAL, THEN GUAM STANDS TO LOSE A PERCENTAGE OF ITS "SECTION 30" FUNDS. THIS IS EXTREMELY UNFAIR TO THE TERRITORY. WHEN THE CIVILIAN GOVERNMENT OF THE TERRITORY OF GUAM WAS CREATED, THE CONGRESS DECIDED THAT THE COST OF OPERATING THE GOVERNMENT WOULD BE SUPPORTED BY FEDERAL INCOME TAXES COLLECTED BY THE TERRITORY OF GUAM FROM THE PEOPLE OF GUAM AS WELL AS FROM MILITARY PERSONNEL ASSIGNED TO GUAM AND FEDERAL CIVIL SERVICE EMPLOYEES WORKING ON GUAM. IF GRAMM-RUDMAN IS IMPOSED, A PORTION OF THESE FUNDS WILL BE SEQUESTERED. IN ESSENCE, THE TERRITORIAL GOVERNMENT OF GUAM WILL BE SERVING AS A COLLECTION AGENCY FOR THE FEDERAL INTERNAL REVENUE SERVICE. THIS IS CLEARLY NOT FAIR. WE ASK THEREFORE THAT THE CONGRESS INTERPRET THAT THE FUNDS IDENTIFIED FOR OPERATIONS OF THE GOVERNMENT OF GUAM UNDER SECTION 30 OF THE ORGANIC ACT ARE NOT AVAILABLE FOR SEQUESTRATION UNDER GRAMM-RUDMAN.

THE PROPOSED BUDGET FOR THE TERRITORY OF GUAM FOR FY 1987 IS MINIMAL AT BEST. FOR AT LEAST THREE RECONCIGIZABLE REASONS IT DESERVES THE FULL SUPPORT OF CONGRESS.

First, in implementing the Gramm-Rudmann Act it is imperative to note that Guam's private economy is still in its first generation. Second, Guam remains significantly restricted, both economically and politically, by several aspects of our Federal-Territorial Relationship. And finally, Guam has given up a full one third of its total land area for use by the Federal-Government without one cent of rent being charged. As we on Guam do not enjoy the full rights of the Constitution and the full economic opportunities available to the fifty states, you should feel comfortable in imposing lesser restrictions on our economy during your efforts to balance the national budget.

Please look at all the "in-kind" contributions the Territory of Guam makes to the Federal Government. The Department of Defense saves millions of dollars annually by enjoying the free use of Chamorro lands for the Western Pacific Headquarters of the Third Air Division of the Strategic Air Command, and the Commander of Naval Forces in the Marianas in support of the Seventh Fleet. I am sure you agree that the people of Guam are amongst the most likely to suffer THE EFFECTS OF RETALIATORY TERRORIST ACTIONS AGAINST THE UNITED STATES. IN ADDITION, THE SIMPLE PRESENCE OF SUCH MILITARY FACILITIES RETARDS THE POTENTIAL GROWTH RATE OF OUR FLEDGLING ECONOMY.

PLEASE CONSIDER ALSO THAT GUAM HAS NO REAL NATURAL RESOURCES TO EXPLOIT OTHER THAN THE BEAUTY OF OUR ISLAND AND THE HOSPITALITY OF OUR PEOPLE. OUR TOURISM INSUDSTRY IS OUR ONLY SERIOUS INDUSTRY. IT GIVES STABILITY TO OUR ISLAND. WE HAVE NO OTHER RESOURCE TO FALL BACK ON SHOULD GRAMM-RUDMAN BUDGET CUTS TAKE EFFECT. THIS IS WHY I ASK YOU TO SUPPORT THE INTERIOR DEPARTMENT PROPOSAL WORKED OUT IN CONJUNCTION WITH OUR WASHINGTON DELEGATE'S OFFICE.

THERE ARE CERTAIN OTHER NEEDED PROJECTS THAT HAVE BEEN REQUESTED BY OUR TERRITORIAL GOVERNMENT. IT MUST BE KEPT IN MIND THAT EACH OF THESE REQUESTED PROJECTS ARE PUBLIC FACILITIES UTILIZED BY THE MILITARY PERSONNEL AND THEIR DEPENDENTS AS WELL AS BY FEDERAL CIVIL SERVICE EMPLOYEES WORKING ON GUAM. PLEASE KEEP IN MIND ALSO THAT THE PRIVATE ECONOMY OF GUAM, WHICH PAYS TAXES INTO OUR GENERAL FUND, DOES NOT ENJOY THE FULL SUPPORT OF THE MILITARY COMMUNITY. FOR INSTANCE, WHILE THE MILITARY FACILITIES ON GUAM UTILIZE THE ORDOT LANDFILL FOR ITS SOLID WASTE DISPOSAL, MILITARY PERSONNEL DO THE MAJORITY OF THEIR SHOPPING IN MILITARY EXCHANGES AND COMMISARIES WHICH PAY NO TAXES AND DETRACT FROM THE VIABILITY OF THE PRIVATE ECONOMY.

THE ORDOT LANDFILL IS NOW FORTY YEAR'S OLD, WAS USED BY THE JAPANESE DURING THEIR OCCUPATION OF GUAM AND WAS SUBSEQUENTLY USED BY U. S. ARMED FORCES THROUGH THE MID-50'S. IT NOW HAS A LIFE EXPECTANCY OF ONLY TWO MORE YEARS. THE $2.3 MILLION REQUESTED BY OUR GOVERNMENT WILL EXTEND ITS LIFE BY AN ADDITIONAL TWENTY YEARS FOR THE USE OF BOTH THE CIVILIAN AND MILITARY COMMUNITIES.

WE HAVE GREAT NEED FOR ANOTHER HIGH SCHOOL, ANOTHER EASILY JUSTIFYABLE PROJECT FOR FEDERAL FUNDING. THE ADDITIONAL MILITARY PERSONNEL STATIONED ON GUAM MEANS ADDTIONAL DEPENDENTS WHO WILL NEED EDUCATION IN OUR SCHOOLS. THE IMPLEMENTATION OF THE COMPACTS OF FREE ASSOCIATION FOR THE REPUBLIC OF THE MARSHALL ISLANDS, THE FEDERATED STATES OF MICRONESIA AND THE REPUBLIC OF PALAU WILL ALSO MEAN MORE STUDENTS FOR OUR ALREADY OVER-CROWDED SCHOOLS. IT IS EASY TO JUSTIFY FEDERAL SUPPORT FOR THE CONSTRUCTION OF THIS FACILITY IN LIGHT OF THE FEDERAL IMPACT OVER WHICH GUAM HAS NO CONTROL.

MR. CHAIRMAN, GUAM DOES NOT WISH TO APPEAR THAT IT IS ASKING FOR HANDOUTS. WE WISH TO BE RESPECTED AS EQUAL AMERICANS, PARTICIPATING EQUALLY IN THE RESPONSIBILITIES OF THE NATION. HOWEVER, THERE ARE TIMES WHEN GUAM RECEIVES A BIT MORE THAN ITS SHARE OF THE BURDEN BECAUSE OF ITS USE TO AMERICA AS A FORWARD MILITARY BASE. ALL WE ASK IS THAT WHEN THE FEDERAL GOVERNMENT INADVERTENTLY IMPOSES FINANCIAL STRESS ON THE TERRITORY OF GUAM, IT ACCEPT THE RESPONSIBILITY FOR RELIEVING THAT STRESS.

GUAM CAPITAL IMPROVEMENTS

Mr. Blaz. Thank you very much for the opportunity, Mr. Chairman. I, also, like the rest, have a statement for the record, and I will submit the statement for the record in making a case for the territories.

When I am talking to you about the territories, it is truly like singing to a choir, except you have been a choir leader for so long that I don't think we ought to take a chance on having you detect a sour note here and there. So, I won't sing to this particular choir.

Let me just highlight some of the things that I think we need so badly in terms of the budget. First, let me start by saying I would like to support very strongly a $3.5 million appropriation for improvements to Guam's water system. This is a vital thing for us. And I heard it from the other territories.

It is rather ironic, isn't it, that the territories that are so inundated for 6 months of the year with water, perpetually have water problems every year, every year.

I also want to speak very strongly in support of the Governor's request for funding of a new mental health facility to the tune of $1,450,000 for this year. The case for the mental facility, sir, has been established repeatedly over the years, so I won't go into that.

GRAMM-RUDMAN REDUCTIONS

I also want to call attention to the fact that in 1984 there was a funding of a Guam Power Authority of the Federal Financing Bank, and there was a commitment to fund the interest rate differential. It is important that we try to get $1.9 million to meet that obligation this year.

I also want to emphasize section 30 funds that has come into somewhat of a controversy, because it was affected, I believe inadvertently, by Gramm-Rudman. Nevertheless, we are talking about $30.2 million, money due Guam, which includes the money recommended by the administration, $29 million, and that which we consider inappropriately sequestered.

ALIEN LABOR

I also want to mention, sir, that I would like to have included in the bill—and I have language before the staff, requiring American labor be used in constructing these projects, when available.

This is very, very important to us, Mr. Chairman, because not only have I personally discovered a considerable amount of money goes away from Guam when you use foreign labor—something to the tune of 70 percent of the funds that are spent on Guam, go to other countries. So, in my judgment it would be extremely difficult for us to get our economy going unless we ensure that, whenever possible, American labor on Guam be used for this construction rather than foreign labor.

Senator Johnston. What is the difference in cost?

Mr. Blaz. The difference in cost can be substantial, sir. And this is probably the reason why it is being done.

I might add that in the House in the military construction area, I will introduce an amendment to make it possible for us to do this, and we are going into all sorts of studies to determine the cost differential.

I should mention at this juncture, not too long ago an enterprising reporter, Bart Stenson of the Pacific Daily News, did a series of studies that kind of substantiate my position that unless we do make some changes in this area, we may never see Guam's economy rolling the way we want it—that is United States dollars being pumped in there, rather than going to Korea, the Phillipines, and other countries.

I want to emphasize that I am not interested, sir, in just trying to say that we do not want to use H2 labor. We need them, but whenever it is possible, we have to have our local citizens employed.

Senator JOHNSTON. Do you have all the labor available there? Or, if you had a Buy American clause, is that likely to go to Hawaii or——

Mr. BLAZ. No, sir; the labor is not available and this is the reason for it.

But the problem in the labor not being available and the ready availability of labor from outside, is that it discourages young people from pursuing a career, say in carpentry, in electricity or anything like that, because of the prospect of not having a job.

And there are those who come to me and say that they don't want to go to college, they don't want to be a professor, they don't want to be a doctor, they just want to be a carpenter. But, if they can't get a job as a carpenter on Guam, then what is the use of trying to learn how to be a carpenter or an electrician?

And it is just one of those dilemmas that we find ourselves in. We have a sort of economic boom. We don't have the wherewithal to do it. But I think that unless we have a very effective way of ensuring that those that are available on Guam are completely utilized, it would be very discouraging for people.

And finally, in conjunction with that I might add that there was an article appearing in the March 18 edition of the Pacific Daily News that highlights some of these problems, and I would like to offer it for the record at this time.

Senator JOHNSTON. That will be entered in the record.

[CLERK'S NOTE.—The information was not reproducible and is being retained in the subcommittee files.]

GUAM ECONOMY

Mr. BLAZ. Mr. Chairman, that concludes my testimony. I would like now to yield to leadership from Guam so that they may express their thoughts also.

Senator JOHNSTON. Thank you very much.

I am glad to have our old friend Gov. Ricky Bordallo here with you.

Mr. BORDALLO. Thank you very much, Senator Johnston. I bring hafa adai from our people to you and the members of the Senate.

Senator JOHNSTON. Hafa adai to you.

I came out when Governor Bordallo was first inaugurated, got him off to a flying start. How long ago was that? 1974 was it?

Mr. BORDALLO. 1975. Eleven years ago.

Mr. Chairman, the written testimony I have with me is already submitted, so that is part of the record. I feel reading this would not serve any great need, since Staff, I am sure will be very familiar with it, and you will be briefed by staff.

I don't mind deferring to my distinguished colleague from American Samoa. I think he has already left the room, Governor Lutali. I am not worried about a need to image. But, I just want to say that I hate to have to say what I really want to say, because it will be just a repetition of what Governor Lutali said.

Senator JOHNSTON. Let me ask you this. How——

Mr. BORDALLO. Attitude is what is important, and he has put it very philosophically correct. We are aiming for self-sufficiency; we are aiming to get government off the backs of the people; we are aiming for all those wonderful things that our country is really known for in its character as a nation and as a people.

Senator JOHNSTON. How is the economy of Guam at this time?

Mr. BORDALLO. It couldn't be better. It is booming like mad, and I think that is one of my political problems, that it is too good. And——

Senator JOHNSTON. Don't worry about that. [Laughter.]

My advice to you is to take credit for it.

Mr. BORDALLO. Sometimes success can be worse than struggling to get ahead, because it has its reactions, too, its political chemistry.

Senator JOHNSTON. How is the tourist business? You have a new hotel there, don't you?

Mr. BORDALLO. It is all booming. Name it, Guam is just a boom town. And the beautiful part of it is that it is not because of government. It is because of the attitude that prevails on the island. It is something I have always hoped I would be able to achieve. There wasn't enough time in my first administration. We were saddled with 150,000 refugees only 4 months after I assumed office in 1975.

Then we were saddled by the worst typhoon in the history of man out in the Pacific, 240 miles an hour when the barometer stopped working. There is not really a machine yet that has been designed to measure a typhoon or a hurricane beyond 200 and some mile an hour winds.

Between all these kinds of disasters, we faced economic collapse of our territory as I assumed office in January 1975, as an aftermath of the oil crisis just 1 year before that.

So, during this term, there were none of these problems. And the fact that I had already served 4 years gave some very advantageous conditions to try to really get to the heart of what it takes to try to build Guam to be very outstanding, and hopefully the envy of our Pacific region in terms of the economic, social, and I might even add, political development of our people and our territory.

So I am more concerned, Senator Johnston, to do justice to you and this committee and the Congress, that I be here sitting to answer questions that you may have, like you have just asked. Because statements are really something that is just routine. But you may have other things you might have heard about——

Senator JOHNSTON. I am just delighted to hear that things are going well in Guam. You know, some of the oil-producing States are not doing so well. So, don't complain about too much prosperity. There is never too much prosperity.

I understand you do have the speaker of the house who has come here, and we are delighted to have you, Mr. Speaker.

WATER IMPROVEMENTS

Mr. GUTIERREZ. Thank you, Mr. Chairman. My name is Carl Gutierrez. I do have prepared remarks I hope will be made a part of the record.

Mr. GUTIERREZ. I am here to support the appropriations earmarked for Guam. More particularly for our water needs for transmission and distribution lines.

We all know that right after the war the water system was put in by the military, 40 some years ago. We don't even know where they put them in. They don't have maps to show where the lines are.

It seems like about 40 to 50 percent of the water leaks into the ground.

Very recently, the water agency raised its rates to the people of Guam. I think it is short lived, because it has only been 1 month since it has gone into effect, and the legislature has stepped in to revert it back to the old rates, because people just can't afford to pay the rates for water and sewer. There have been instances of a family of six paying about $100 a month for water and $50 a month for sewer.

So it is quite needed, to say the least, that we get some funding to be able to change some of these distribution lines so that we can stop the leakage, which is costing the utility agency so much money and resources to continue to operate under the old system.

MENTAL HEALTH FACILITY

I would like to say, of course, that the money that is going to be earmarked for the mental health facility is much needed. Although it is only about one-fourth of what we need, it is something to get started with.

INDEPENDENT AUDITOR AND PROSECUTOR

More particularly, I would like to thank the Senator for the passage of some language that amends our Organic Act to allow the local legislature to set certain laws not contrary to that so that we now can, upon approval of that bill, have the legislature set up an independent auditor and an independent prosecutor.

I know some dealings in the past have caused financial disasters for our government. But the auditor that we conceive is an auditor that would sort of preaudit things before they become financial disasters, instead of postauditors as the inspector general of the Department of the Interior is presently doing in Guam. So, that is quite a needed amendment.

However, maybe inadvertently at the request of the legislature, one provision may have been left out. After speaking to some of your staff members, an independent civil service commission is very much needed for Guam, also. At this time it is very easy to inject politics into a civil service commission, a body that is supposed to protect employees from politics. And we hope that the Senate and the House will be able to allow us the opportunity in the Organic Act to let local legislation prevail.

Thank you.

Senator JOHNSTON. Thank you, Mr. Speaker.

Did you have anything else, Ben?

Mr. BLAZ. No, sir.

Senator JOHNSTON. Thank you very much, gentlemen. It is always a pleasure to have our friends from Guam here.

COMMONWEALTH OF THE NORTHERN MARIANAS

STATEMENT OF PEDRO TENORIO, LIEUTENANT GOVERNOR

ACCOMPANIED BY:
JOSE R. LIFOIFOI, SPEAKER OF THE HOUSE
JUAN N. BABAUTA, SENATOR, FISCAL AFFAIRS COMMITTEE
JULIAN S. CALVO, SENATE PRESIDENT

PREPARED STATEMENTS

Senator JOHNSTON. Next, we are glad to welcome the Commonwealth of the Northern Mariana Islands [CNMI], Lt. Gov. Pedro A. Tenorio.

First we will place all the statements in the record at this point.

Governor?

[The statements follow:]

STATEMENT OF PEDRO A. TENORIO

MR. CHAIRMAN, BEFORE I BEGIN MY PRESENTATION, I WOULD LIKE TO EXTEND, ON BEHALF OF THE DELEGATION FROM THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS, OUR BEST WISHES TO YOU AND THE MEMBERS OF THIS COMMITTEE. ALLOW ME TO INTRODUCE SENATE PRESIDENT JULIAN S. CALVO, SPEAKER JOSE R. LIFOIFOI, SENATOR JUAN N. BABAUTA AND CONGRESSMAN GREGORIO B. SABLAN.

GOVERNOR PEDRO P. TENORIO AND THE PEOPLE OF THE NORTHERN MARIANA ISLANDS, EXPRESS APPRECIATION FOR THE OPPORTUNITY TO TESTIFY IN SUPPORT OF OUR BUDGET SUBMISSION FOR FISCAL YEAR 1987, AND FOR YOUR CONTINUING INTEREST IN THE WELFARE OF THE MARIANAS. OUR PEOPLE ARE GRATEFUL TO THE UNITED STATES GOVERNMENT AND TO THE CONGRESS IN PARTICULAR FOR YOUR FINANCIAL SUPPORT DURING THE COURSE OF OUR YOUNG RELATIONSHIP WITH THE UNITED STATES.

THIS YEAR IS OF SPECIAL SIGNIFICANCE TO THE NORTHERN MARIANA ISLANDS FOR IT MARKS THE BEGINNING OF A NEW PHASE IN OUR SOCIO-ECONOMIC DEVELOPMENT. DURING THIS YEAR TOO, WE IN MICRONESIA ARE PREPARING OURSELVES FOR THE TERMINATION OF THE STRATEGIC TRUSTEESHIP OF MICRONESIA.

FISCAL YEAR 1986 IS THE FIRST YEAR OF A NEW PERIOD OF FEDERAL FINANCIAL ASSISTANCE UNDER THE COVENANT. FOR THE FIRST TIME WE WERE WITHOUT THE FULL FAITH AND CREDIT GUARANTEE OF SECTION 702 OF THE COVENANT.

AS THE COMMITTEE IS AWARE, THE CLOSE OF FISCAL YEAR 1985 MARKED THE END OF THE INITIAL PERIOD OF FINANCIAL ASSISTANCE UNDER THE COVENANT. ACCORDINGLY, IN 1984, PRESIDENT REAGAN AND GOVERNOR PEDRO P. TENORIO, DESIGNATED SPECIAL REPRESENTATIVES TO CONCLUDE AGREEMENT ON THE NEXT PHASE OF FINANCIAL ASSISTANCE PURSUANT TO COVENANT SECTION 902. AGREEMENT ON A JOINT RECOMMENDATION WAS MADE IN JULY 1985 AND ACTION IS PENDING IN THE CONGRESS. WEIGHTY QUESTIONS HAVE BEEN RAISED TO THE HOUSE COMMITTEE OF INTERIOR AND INSULAR AFFAIRS AND THE SENATE ENERGY COMMITTEE, OVER THE MANNER IN WHICH THE AGREEMENT WAS SIGNED AND THE SCOPE OF THE AGREEMENT ITSELF. GIVEN

THE GRAVITY OF THE SUBJECT, WE CONTINUE TO FEEL THAT THE PROPER ATTENTION BE AFFORDED THESE QUERIES UNTIL A SATISFACTORY RESOLUTION OF THE ISSUES IS ACHIEVED. WE EXPRESS HOPE THAT AN UNDERSTANDING WILL BE REACHED IN THE FOLLOWING WEEKS.

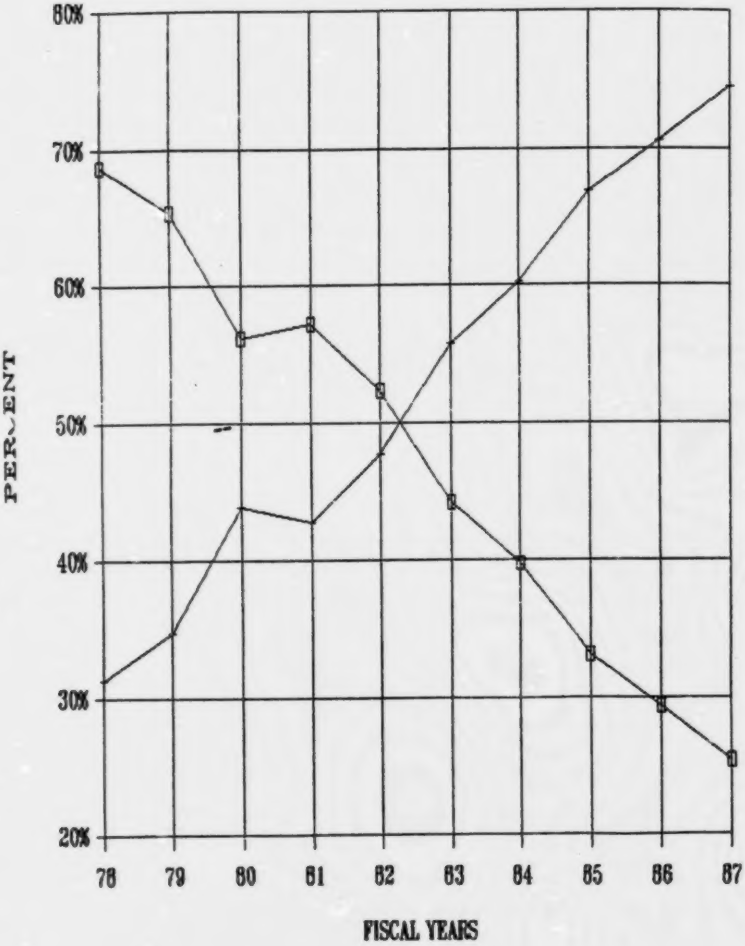
THE SCHEDULES FOR CAPITAL DEVELOPMENT ASSISTANCE RECOGNIZE THAT THE COMMONWEALTH HAS ENTERED A CRUCIAL STAGE OF DEVELOPMENT. RAPID PRIVATE SECTOR DEVELOPMENT, BASED ON TOURISM, IS CREATING NEW INFRASTRUCTURE NEEDS FASTER THAN OLD NEEDS CAN BE MET. FURTHER, WHILE THE INCOME AND TAX BENEFITS FOR RAPID GROWTH WILL BE REALIZED IN THE FUTURE, THE RESOURCES TO PROVIDE THE INFRASTRUCTURE NECESSARY TO FACILITATE GROWTH ARE REQUIRED IMMEDIATELY. IF THE COMMONWEALTH IS EVER TO DEVELOP AN ECONOMY CAPABLE OF TRULY SUPPORTING SELF-GOVERNMENT, IT MUST HAVE FURTHER ASSISTANCE IN MEETING THE INFRASTRUCTURE REQUIREMENTS FOR GROWTH.

BUT CAPITAL DEVELOPMENT NEEDS ARE NOT JUST CONFINED TO REQUIREMENTS FOR ECONOMIC DEVELOPMENT. THERE IS STILL MUCH TO BE DONE IN MEETING THE NEEDS FOR SOCIAL DEVELOPMENT. WHILE CAPITAL REQUIREMENTS FOR HEALTH AND PUBLIC SAFETY ALREADY HAVE BEEN LARGELY MET, REQUIREMENTS FOR NEW SCHOOLS AND OTHER PUBLIC FACILITIES REMAIN. ALSO, DESPITE MAJOR EXPENDITURES FOR POWER, WATER AND WASTEWATER, MANY PEOPLE STILL LACK ACCESS TO THESE UTILITIES, OR SUFFER FROM INCONSISTENT AND LOW QUALITY SERVICE BECAUSE OF INADEQUATE INVESTMENT IN THE UTILITIES.

WE HAVE MADE DRAMATIC STRIDES SINCE EXECUTION OF THE COVENANT. FOR EXAMPLE, PRIOR TO CONSTITUTIONAL GOVERNMENT IN 1977, LOCAL REVENUES COLLECTED AMOUNTED TO ONLY 5 MILLION DOLLARS ANNUALLY OR ROUGHLY 34% PERCENT OF OUR TOTAL GOVERNMENT FUNDS. IN THE INTERVENING EIGHT YEARS, WE HAVE INCREASED COLLECTIONS OF LOCAL REVENUES TO OVER THIRTY-FOUR MILLION DOLLARS OR APPROXIMATELY 67% OF TOTAL GOVERNMENT FUNDS. CHART "A" DISPLAYS THE INCREASED LOCAL REVENUE GENERATION AND DECLINING DEPENDENCE ON COVENANT FUNDS FOR GOVERNMENT OPERATIONS.

COVENANT FUNDS VS LOCAL REVENUE

CHART "A"



COST OF GOVERNMENT OPERATIONS
THOSANDS OF DOLLARS

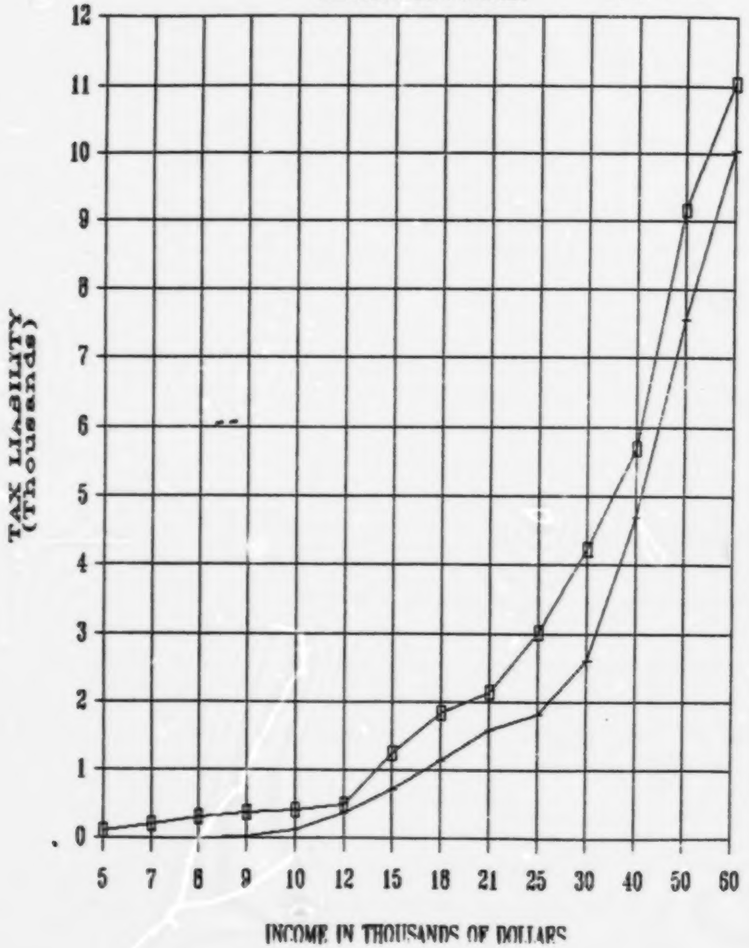
FY	COVENANT FUNDS	PERCENT OF TOTAL	LOCAL TAXES	PERCENT OF TOTAL	TOTAL COST OF GOVT.
•78	$11,082.00	68.7%	$5,054.50	31.3%	$16,136.50
79	$11,918.00	65.3%	$6,343.30	34.7%	$18,261.30
80	$13,038.00	56.1%	$10,189.30	43.9%	$23,227.30
81	$14,390.00	57.2%	$10,780.70	42.8%	$25,170.70
82	$15,231.00	52.3%	$13,904.80	47.7%	$29,135.80
83	$16,108.00	44.2%	$20,341.60	55.8%	$36,449.60
84	$16,337.00	39.8%	$24,726.60	60.2%	$41,063.60
85	$16,927.00	33.1%	$34,201.90	66.9%	$51,128.90
86	$16,996.00	29.4%	$40,847.40	70.6%	$57,843.40
87	$17,050.00	25.5%	$49,906.10	74.5%	$66,956.10

• Partial year, $9,871.0 full year would have been $11,082.0

EFFECTIVE JANUARY 1, 1985, THE COMMONWEALTH IMPLEMENTED PUBLIC LAW 4-24. WE HAVE EXPERIENCED OUR FIRST FULL YEAR UNDER THE "MIRROR IMAGE" OF THE INTERNAL REVENUE CODE COUPLED WITH OUR OWN LOCAL INCOME TAX LAW, PUBLIC LAW 3-11. DURING 1985, BASED ON ACTUAL INCOME TAX REVENUES COLLECTED, LESS ANTICIPATED REFUNDS FOR OVER PAYMENT, INCOME TAX REVENUES ARE ESTIMATED TO BE 4.8 MILLION DOLLARS. THIS IS AN INCREASE OF OVER 5 TIMES THOSE REVENUES COLLECTED IN FY 1978. THE INCREASE REFLECTS IMPROVED ECONOMIC CONDITIONS, INCREASED WAGES AND SALARIES AND A TAX RATE WHICH WAS MORE THAN DOUBLED IN FY 1982, WITH THE IMPLEMENTATION OF PUBLIC LAW 3-11. WE ARE EVALUATING THE EFFECTS OF THE "MIRROR IMAGE" VERSUS OUR LOCAL TAX LAW AS WELL AS THE COMBINED EFFECT OF BOTH SCHEMES. THE ANALYSIS IS BASED ON ASSUMPTIONS WHICH REFLECT LOCAL INCOME LEVELS, FAMILY SIZE AND TAX SHELTERS OR A LACK THEREOF. CHART "B" SHOWS THAT PUBLIC LAW 4-24 THE "MIRROR IMAGE" COUPLED WITH PUBLIC LAW 3-11 INCREASES THE TAX LIABILITY FOR ALL INCOME LEVELS AND IS A MORE APPROPRIATE REVENUE GENERATING MECHANISM THAN WE ORIGINALLY CONTEMPLATED. OF COURSE, TIME WILL BE THE BEST JUDGE OF ITS REAL EFFECTIVENESS.

TYPICAL INCOME TAX LIABILITY

MARRIED FILING JOINTLY CHART "B"



TYPICAL INCOME TAX LIABILITY

	CNMI PLUS IRC				IRC ONLY			
GROSS INCOME	MARRIED JOINT FILE	PERCENT GR. INC.	SINGLE PERSON	PERCENT GR. INC.	MARRIED JOINT FILE	PERCENT GR. INC.	SINGLE PERSON	PERCENT GR. INC.
5000	$100	2.0%	$304	6.1%	$0	0.0%	$179	3.6%
7000	$210	3.0%	$568	8.1%	$0	0.0%	$447	6.4%
8000	$320	4.0%	$653	8.2%	$0	0.0%	$589	7.4%
9000	$361	4.0%	$739	8.2%	$26	0.3%	$739	8.2%
10000	$407	4.1%	$824	8.2%	$136	1.4%	$890	8.9%
12000	$499	4.2%	$996	8.3%	$366	3.1%	$1.210	10.1%
15000	$1.246	8.3%	$1,258	8.4%	$722	4.8%	$1,756	11.7%
18000	$1,824	10.1%	$1.875	10.4%	$1,143	6.4%	$2,397	13.3%
21000	$2.127	10.1%	$2,203	10.5%	$1,591	7.6%	$3.118	14.8%
25000	$3,016	12.1%	$3,100	12.4%	$1,816	7.3%	$3,508	14.0%
30000	$4,225	14.1%	$4,332	14.4%	$2,599	8.7%	$4,738	15.8%
40000	$5.695	14.2%	$5,842	14.6%	$4.699	11.7%	$7,638	19.1%
50000	$9,153	18.3%	$9,328	18.7%	$7,566	15.1%	$11,069	22.1%
60000	$11,032	18.4%	$11,272	18.8%	$10.041	16.7%	$14,842	24.7%

Tax Liability based upon the following assumptions

I. Married Filing Jointly
   A. Total of 5 Exemptions (Typical CNMI Family)
   B. Schedule with Allowance
   C. 10% added deduction for wage earners $25,000 and over

II. Single Person
   A. 1 Exemption
   B. 10% added deduction for wage earners $25,000 and over

ECONOMIC DEVELOPMENT

IN TERMS OF GENERAL ECONOMIC DEVELOPMENT, OUR TOURIST INDUSTRY CONTINUES TO DISPLAY STEADY AND ENCOURAGING GROWTH. VISITORS TO OUR ISLANDS HAVE INCREASED FROM APPROXIMATELY 51,000 IN 1978 TO 142,257 DURING 1985. IN 1978, WE HAD ONLY 476 BUSINESSES REGISTERED IN THE COMMONWEALTH; WE NOW HAVE MORE THAN 2,500 BUSINESS FIRMS IN THE NMI. IN 1978, HOTEL ROOMS NUMBERED 740; WE CURRENTLY HAVE CLOSE TO 1,000 ROOMS AND ON-GOING CONSTRUCTION WILL ADD MORE THAN 700 ADDITIONAL ROOMS WITHIN THE NEXT SIX TO EIGHTEEN MONTHS. AS A RESULT, WE EXPECT REVENUE FROM TOURISM TO INCREASE DRAMATICALLY. WE ARE ALSO VERY OPTIMISTIC ABOUT THE REVENUE THAT WE WILL COLLECT FROM GARMENT MANUFACTURING ACTIVITIES, BUT ARE CONCERNED OVER FEDERAL REGULATIONS WHICH HAVE NEGATIVELY AFFECTED THE EXISTING INVESTMENTS AND PLANNED EXPANSIONS WILL ULTIMATELY CLOSE DOWN THESE INDUSTRIES IN THE

ISLANDS. WE WISH TO NOTE THAT THE NORTHERN MARIANA ISLANDS HAVE ISSUED A MORATORIUM ON FURTHER DEVELOPMENT IN THE GARMENT INDUSTRY UNTIL MORE SERIOUS STUDIES CAN BE UNDERTAKEN TO EVALUATE THE FULL IMPACT THAT THIS INDUSTRY HAS IN OUR ISLANDS.

THE FY 1986 AND PLANNED FY 1987 OUTLAYS ARE BASED ON THE SCHEDULES OF THE NEW COVENANT FUNDING AGREEMENT BETWEEN THE NORTHERN MARIANA ISLANDS GOVERNMENT AND THE UNITED STATES GOVERNMENT. MR. CHAIRMAN, THIS YEAR, AS IN PRIOR YEARS OUR IMMEDIATE CAPITAL INFRASTRUCTURE REQUIREMENTS ARE IN THE AREA OF WATER, POWER, SEWER AND HEALTH.

OUR POWER, WATER AND SEWER SYSTEMS HAVE UNDERGONE SUBSTANTIAL EXPANSION AS A RESULT OF GENEROUS CONGRESSIONAL APPROPRIATIONS FOR NEW CONSTRUCTION AND REHABILITATION. THESE REPRESENT SIGNIFICANT EFFORTS TO MEET THE DEMANDS OF OUR PEOPLE FOR BETTER UTILITY SERVICES AND THE REQUIREMENT OF SOUND INFRASTRUCTURE FOR ECONOMIC DEVELOPMENT. PRIOR TO 1978, UTILITY SERVICES WERE LIMITED TO VILLAGES CLOSE TO CENTRAL POWER AND WATER SOURCES. I AM PLEASED TO REPORT THAT MOST HOUSEHOLDS NOW ENJOY SUCH BASIC SERVICES. WE WISH TO RESTATE THAT MUCH REMAINS TO BE ACCOMPLISHED. AND MUCH HAS BEEN ACCOMPLISHED AS A RESULT OF THE GENEROUS RESPONSE OF THE UNITED STATES.

I WISH THE COMMITTEE TO KNOW THAT THESE OVER-CEILING REQUESTS ARE PROVIDING AN EXCELLENT START TO THE OVERALL IMPROVEMENT OF OUR PUBLIC WATER SUPPLY WHICH WILL RESULT IN A WATER SYSTEM THAT MEETS U.S. PUBLIC HEALTH DRINKING STANDARDS, PROVIDES FOR EFFICIENT MANAGEMENT AND OPERATION OF OUR WATER SYSTEM, INCLUDING BILLINGS AND COLLECTION FOR SERVICES, AND WILL PROVIDE A SYSTEM THAT IS RESPONSIVE TO FUTURE WATER NEEDS AND THE DEMANDS OF A RAPIDLY GROWING POPULATION AND ECONOMIC DEVELOPMENT. WORKING WITH TECHNICAL EXPERTS FROM THE BUREAU OF RECLAMATION THROUGH TECHNICAL ASSISTANCE GRANTS FROM OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS OF THE U.S. DEPARTMENT OF THE INTERIOR, WE ARE IMPLEMENTING WHAT WE PERCEIVE AS A REALISTIC PLAN USING THESE FUNDS, WHICH WILL REPLACE THE DETERIORATED MAIN TRANSMISSION AND DISTRIBUTION LINES, PROVIDE STANDBY GENERATORS FOR DEEP WELL PUMPING CAPABILITY, COMPLETE REHABILITATION OF DEEP WELL

PUMPING CAPABILITY, COMPLETE REHABILITATION OF DEEP WELL SYSTEMS, IMPROVE METERING AT THE WATER SOURCES AND CONSUMPTION AREAS, PREVENT WATER CONTAMINATION THROUGH PROPER DISINFECTION BY CHLORINATION, AND ALLOW FOR A SYSTEMATIC MONITORING OF WATER QUALITY AND QUANTITY.

COMMONWEALTH HEALTH CENTER

BARRING UNFORESEEN CIRCUMSTANCES, THE NEW COMMONWEALTH HEALTH CENTER WILL BE OPERATIONAL DURING THE FIRST QUARTER OF FY 1987. WE ARE FORTUNATE THAT THE U.S. CONGRESS HAD THE FORESIGHT TO PROVIDE FUNDS FOR START-UP COSTS IN THE AMOUNT OF ONE MILLION WHICH WILL AFFORD A SMOOTH TRANSFER OF OPERATIONS FROM THE CURRENT FACILITY TO THE NEW HEALTH CENTER.

THE NMI DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENTAL SERVICES (PH&ES) IS MAKING REAL PROGRESS TOWARDS AN EFFICIENT TRANSITION OF OPERATIONS TO THE NEW COMMONWEALTH HEALTH CENTER (CHC). ATTAINING MEDICARE AND MEDICAID CERTIFICATION OF THE CHC IS THE TOP PRIORITY FOR THE NMI GOVERNMENT. RECRUITMENT OF QUALITY STAFF IS PROGRESSING ACCORDING TO PLAN; SEVENTY-ONE ACCORDING TO THE PLAN. THESE INCLUDE THE FORTY THREE (43) PROFESSIONALS, TWELVE FINANCIAL ADVISORS AND SIXTEEN (16) SUPPORT SERVICES STAFF.

PREVENTIVE AND RESTORATIVE MAINTENANCE PROGRAMS HAVE BEEN GIVEN A PRIORITY EQUAL TO THAT OF THE NURSING PROGRAM TO ENSURE CONTINUED AVAILABILITY OF QUALITY FACILITIES AND EQUIPMENT FOR THE DELIVERY OF HEALTH CARE IN THE FUTURE.

A THREE MILLION DOLLAR INCREASE IN PARTICIPATION BY CNMI RESIDENTS FOR THE COST OF HEALTH CARE IS EXPECTED THROUGH HIGHER FEES AND THE CREATION OF A MANDATORY GOVERNMENT HEALTH INSURANCE PROGRAM. THE DEPARTMENT OF PH&ES IS CONFIDENT OF A SMOOTH TRANSITION BY FOLLOWING THE PRESENT PLANS FOR IN-SERVICE, ORIENTATION AND IMPLEMENTATION OF THE CHANGES REQUIRED TO MEET THE MEDICARE CERTIFICATION CONDITIONS.

COMMONWEALTH HEALTH CENTER CONSTRUCTION PROJECT

THE TOTAL PROJECT COST OF THE COMMONWEALTH HEALTH CENTER, INCLUSIVE OF SITEWORK, GENERAL CONSTRUCTION, WATERPROOFING, ROOFING, MECHANICAL, FIXED EQUIPMENT PURCHASES AND THE PURCHASE OF COLLATERAL EQUIPMENT FURNISHING (GROUP II AND III MOVEABLE EQUIPMENT), IS ESTIMATED TO BE $28,227,000, THE ORIGINAL ESTIMATE WAS $30,248,345. THE CENTER, WHEN COMPLETED, WILL HAVE 74 BEDS, WITH A CAPACITY TO EXPAND TO 100 BEDS, AND WILL PROVIDE IN-PATIENT NURSING, ANCILLARY OUT-PATIENT CLINICS, A PUBLIC HEALTH CLINIC, DENTAL CLINIC AND SUPPORT AND SUPPLY FACILITIES. IT WILL HAVE EMERGENCY POWER AND WATER SYSTEMS TO GUARD AGAINST TYPHOONS, PERIODIC BROWNOUTS AND OTHER NATURAL DISASTERS.

DURING THE PAST FOUR YEARS $26,845,000 IN FUNDS HAVE BEEN APPROPRIATED FOR THE NEW HEALTH CENTER CONSTRUCTION. IN ADDITION, $1,296,000 WAS APPROPRIATED IN FY 1982 FOR THE DESIGN AND ENGINEERING. BASED ON CURRENT CONSTRUCTION EXPENDITURES, OBLIGATIONS AND ANTICIPATED OBLIGATIONS IT IS ESTIMATED THAT THE COMPLETED CONSTRUCTION PROJECT WILL COST $28,227,000. THE COMMONWEALTH CAPITAL IMPROVEMENT BUDGET FOR FY 1986 PROVIDES FOR THE ADDITIONAL REQUIREMENTS.

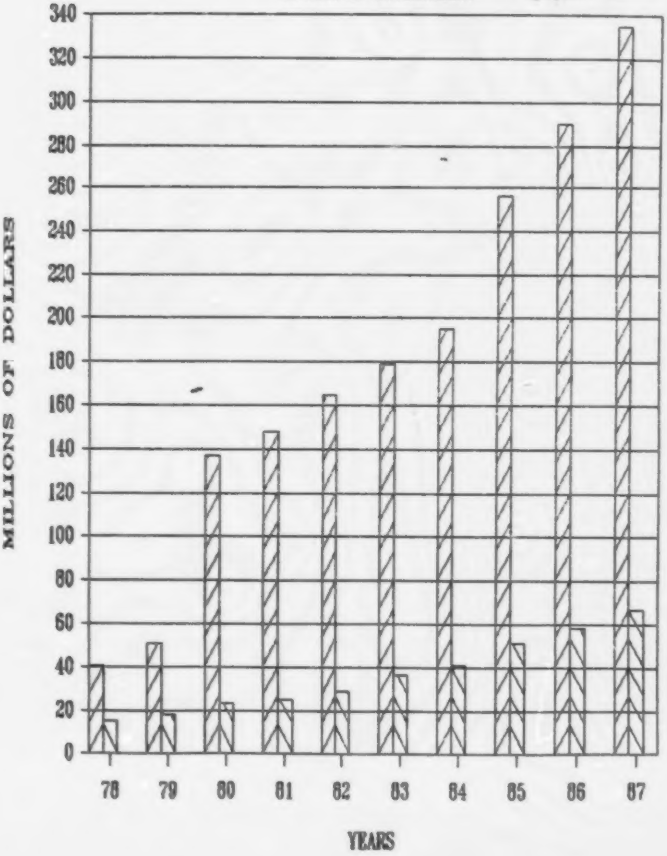
LOCAL INITIATIVES TO CONTROL THE COST OF GOVERNMENT

AT THIS POINT, I WOULD LIKE TO TAKE A MOMENT TO BRIEFLY ACQUAINT THE COMMITTEE WITH THE STATUS OF A FEW LEGISLATIVE, EXECUTIVE AND INITIATIVES THAT THE COMMONWEALTH GOVERNMENT HAS UNDERTAKEN IN A CONTINUING AND DETERMINED EFFORT TO REDUCE BOTH THE SIZE AND COST OF GOVERNMENT OPERATIONS. BY RAISING ADDITIONAL OPERATING REVENUE LOCALLY AND MONITORING THE PACE OF ECONOMIC DEVELOPMENT, AS CHART "C" SHOWS THE NMI HAS HAD SOME SUCCESS AT MAINTAINING A MODERATE INCREASE IN THE GROWTH OF GOVERNMENT EVEN IN THE MIDST OF RATHER STARTLING ECONOMIC GROWTH AND THE DEMANDS OF INCREASED GOVERNMENT SERVICES. THE BOARD OF DIRECTORS OF THE COMMONWEALTH UTILITY COMMISSION HAVE BEEN APPOINTED. THE CUC AN INDEPENDENT COMMISSION CREATED BY PUBLIC LAW 4-47, IS EMPOWERED TO ESTABLISH REALISTIC CONSUMER UTILITY RATES

AND THUS GRADUALLY REDUCE THE EXISTING DISCREPANCY BETWEEN THE COST OF PROVIDING UTILITY SERVICES AND REVENUES COLLECTED FROM DIRECT SERVICE CHARGES TO CONSUMERS. THE CUC IS SIMILAR TO PUBLIC UTILITY COMMISSIONS IN MANY JURISDICTIONS IN THE TERRITORIES AND MAINLAND UNITED STATES. THE LAW REQUIRED THE AUTHORITY TO ACHIEVE THESE OBJECTIVES WITHIN THREE FISCAL YEARS FOLLOWING THE ESTABLISHMENT OF THE COMMISSION. IN ADDITION, THE CUC IS CHARGED WITH EXPLORING THE FEASIBILITY OF PRIVATIZING SOME OR ALL UTILITY SERVICES WITHIN COMMONWEALTH, AN AREA WE VIEW AS PROMISING.

GROSS ISLAND PRODUCT

VS COST OF GOVERNMENT CHART "C"



COST OF GOVERNMENT
COMPARED TO
GROSS ISLAND PRODUCT
MILLIONS OF DOLLARS

YEAR	GIP	COG	PERCENT
78	$40.6	$14.9	37%
79	$50.7	$18.2	36%
80	$137.0	$23.2	17%
81	$148.0	$25.2	17%
82	$165.0	$29.1	18%
83	$179.0	$36.4	20%
84	$195.1	$41.0	21%
85	$256.3	$51.1	20%
86	$290.0	$58.0	20%
87	$335.0	$67.0	20%

THE COMMONWEALTH DEVELOPMENT AUTHORITY IS THE SUCCESSOR AGENCY TO THE ECONOMIC DEVELOPMENT LOAN FUND AND REPRESENTS A QUANTUM LEAP IN OUR EFFORT TO RATIONALIZE STRATEGIC ECONOMIC PLANNING AND DEVELOPMENT WITHIN THE COMMONWEALTH. THE CDA IS PROVIDED WITH BROAD FINANCING AUTHORITY WHICH WILL ENABLE THE GOVERNMENT TO MORE EFFECTIVELY DEPLOY ECONOMIC DEVELOPMENT FUNDS USING PUBLIC FINANCING DEVICES SUCH AS TAX EXEMPT REVENUE BONDS AND SIMILAR FINANCIAL LEVERAGING TECHNIQUES.

FINALLY, WE HAVE PROVIDED THE COMMITTEE WITH A DETAILED STRATEGY FOR CAPITAL INVESTMENT OF COVENANT FUNDS FOR THE PERIOD FY 1986 THROUGH FY 1992. THE DETAILED STRATEGY IS UNDER SEPARATE COVER.

NOTWITHSTANDING THESE DRAMATIC STRIDES TOWARD ECONOMIC SELF-SUFFICIENCY OVER THE PAST SEVEN YEARS, IT IS CLEAR THAT THE NORTHERN MARIANAS CANNOT YET RELY ENTIRELY ON LOCAL REVENUE RESOURCES TO PAY THE COST OF RUNNING OUR GOVERNMENT, WHILE IMPLEMENTING THE PROGRAMS NECESSARY TO DEVELOPE OUR ECONOMIC BASE AND EVENTUALLY RAISING THE STANDARD OF LIVING ANTICIPATED BY THE COVENANT.

THE NEED TO PROVIDE AN ADEQUATE INFRASTRUCTURE OF ROADS, HARBORS, AIRPORTS, ELECTRICAL POWER AND POTABLE WATER, AN IMPROVED EDUCATIONAL SYSTEM AND A POOL OF TRAINED MANPOWER TO SUPPORT ECONOMIC DEVELOPMENT EASILY OUTSTRIPS OUR ABILITY TO COVER THESE COSTS USING OUR OWN FINANCIAL RESOURCES ALONE. IF WE ARE TO ACHIEVE THESE GOALS, WE ARE COMPELLED TO CONTINUE TO SEEK UNITED STATES FINANCIAL ASSISTANCE IN THE YEARS TO COME.

INTERIOR'S BUDGET

NMI'S PROPOSED OUTLAYS FOR FY 1987 ARE BASED ON THE NEW COVENANT FUNDING AGREEMENT BETWEEN THE CNMI AND THE U.S. GOVERNMENT.

WE THUS SUPPORT THE FY 1987 BUDGET FOR THE COMMONWEALTH SUBMITTED BY THE DEPARTMENT OF THE INTERIOR AS CONSISTENT WITH THE PROVISIONS OF SECTION 704 OF THE COVENANT. FOR FISCAL YEAR 1987, THE COVENANT PROVIDES A TOTAL OF $35,344,000 COMPRISED OF $18,294,000 FOR CAPITAL IMPROVEMENT AND $17,050,000 FOR GOVERNMENT OPERATIONS. DETAILED BREAKDOWNS OF HOW WE PROPOSE TO EXPEND COVENANT MONIES ARE PROVIDED IN THE BUDGET SCHEDULES
WHICH ACCOMPANY MY STATEMENT.

WATER SUPPLY

AS WITH HEALTH FACILITIES, WE CONSIDER WATER PRODUCTION, DISTRIBUTION, AND EXTENSION OF SERVICES TO UNSERVED AREAS OF RESIDENTIAL AS WELL AS BUSINESS DEVELOPMENT SUCH AS HOTEL CONSTRUCTION, TO BE THE SAME HIGH PRIORITY. MR. CHAIRMAN, IN ALL PREVIOUS TESTIMONY BEFORE YOUR COMMITTEE, WE HAVE EMPHASIZED THE NEED FOR FUNDS TO IMPROVE OUR WATER SYSTEMS. I RESPECTFULLY REQUEST 5.8 MILLION DOLLARS UNDER THE AUTHORIZATION OF 15 MILLION DOLLARS AS PROVIDED BY P.L. 98-454. THE PROPOSED PROJECTS ARE DESIGNED TO PROVIDE THE IMPROVEMENTS NECESSARY TO ENSURE CONTINUOUS WATER SERVICE TO THE MAJORITY OF THE POPULATION CENTERS OF OTHER POPULATED ISLANDS, AS WELL AS RURAL COMMUNITIES AND AGRICULTURE LANDS. THESE PROJECTS ARE EXPECTED TO DRAMATICALLY IMPROVE THE WATER SUPPLY TO THOSE AREAS THAT HAVE BEEN UNSERVED OR UNDERSERVED. SEE ATTACHMENT 1.

POWER

AT THIS TIME, WE ARE REQUESTING AN APPROPRIATION OF 3 MILLION DOLLARS REPRESENTING A PARTIAL PAYMENT FROM THE BALANCE OF THE AUTHORIZATION OF P.L. 95-348 FOR ADDITIONAL POWER GENERATING CAPABILITY FOR SAIPAN AND ROTA POWER PLANTS, AND FOR DISTRIBUTION AND TRANSMISSION SYSTEMS FOR THE ISLANDS OF SAIPAN, TINIAN AND ROTA. THE ISLAND OF ROTA HAS

BEEN UNDER POWER RATIONING SINCE SEPTEMBER OF 1984, AND CONDITIONS THERE ARE SO CRITICAL THAT BUSINESS INVESTMENT AND OTHER ECONOMIC DEVELOPMENTS ARE BEING DISCOURAGED. IT IS NECESSARY THAT FUNDS BE MADE AVAILABLE WITHOUT DELAY. IN SAIPAN, IT IS NECESSARY TO PROCURE AN ADDITIONAL GENERATOR. THE POWER PLANT WAS CONSTRUCTED WITH A 5 MILLION DOLLAR APPROPRIATION UNDER A 12 MILLION DOLLAR AUTHORIZATION MADE IN FY 1979 P.L.95-348. THE POWER PLANT WAS ORIGINALLY DESIGNED TO MEET THE IMMEDIATE NEEDS OF SAIPAN. OUR ECONOMIC AND SOCIAL GROWTH, HOWEVER, HAVE EXCEEDED OUR PROJECTION FOR POWER AND WE NOW FIND THAT WITHOUT AN IMMEDIATE ADDITION TO OUR PRESENT GENERATING CAPACITY, WE WILL BE WITHOUT POWER.

WE ARE ALSO REQUESTING AN APPROPRIATION OF 4 MILLION DOLLARS FOR THE UPGRADING AND HARDENING OF THE POWER DISTRIBUTION SYSTEMS IN SAIPAN, TINIAN AND ROTA. THE UPGRADING AND TYPHOON HARDENING OF THE POWER DISTRIBUTION SYSTEMS ON SAIPAN, TINIAN AND ROTA HAS BEEN A HIGH PRIORITY PLANNED FOR SEVERAL YEARS. CONSTRUCTION OF THE SYSTEM MUST BE UNDERTAKEN TO ENSURE THE AVAILABILITY OF ELECTRICAL POWER TO MEET THE DEMANDS IN THE POPULATION CENTERS AS WELL AS TO PERMIT CONTINUED INDUSTRIAL, COMMERCIAL AND OVERALL ECONOMIC GROWTH IN THE ISLANDS SUCH CONSTRUCTION WILL ALLEVIATE THE RECURRING ELECTRICAL OUTAGES ASSOCIATED WITH THE OPERATION AND MAINTENANCE OF THE PRESENT POWER DISTRIBUTION SYSTEMS AND REDUCE THE COSTLY AND EXCESSIVE VOLTAGE IN THE SYSTEMS. SEE ATTACHMENT 3.

AMERICAN MEMORIAL PARK

LASTLY,U.S. PUBLIC LAW 95-348 AUTHORIZES AN APPROPRIATION NOT TO EXCEED $3.0 MILLION FOR THE DEVELOPMENT OF THE AMERICAN MEMORIAL PARK. THE PARK ENCOMPASSES 133 ACRES OF PRIME COASTAL AREA IMMEDIATELY ADJACENT TO THE MAJOR HOTEL DISTRICT AND HARBOR FACILITIES ON SAIPAN. IT IS A MEMORIAL FOR THE AMERICAN SOLDIERS AND CIVILIANS WHO GAVE THEIR LIVES IN THE NORTHERN MARIANA ISLANDS DURING WORLD WAR II. IN ADDITION, THE PARK WOULD SERVE AS A MAJOR ATTRACTION TO TOURISTS AND RESIDENTS FOR RECREATION AND SPORT ACTIVITIES.

THE NATIONAL PARK SERVICE HAS BEEN AUTHORIZED TO PLAN, DEVELOPE AND ADMINISTER THE PARK. THE PHYSICAL DEVELOPMENT MASTER PLAN FOR SAIPAN. PROVIDES FOR SEVERAL PHASES OF DEVELOPMENT. THE FIRST PHASE IS ESTIMATED TO COST $3.0 MILLION, HOWEVER, THE TOTAL COST IS ESTIMATED TO BE BE $16.0 MILLION. THE PARK IS TO INCLUDE A HISTORY CENTER, A NATURE CENTER, BOAT RAMPS, ATHLETIC FIELDS, SWIMMING POOL, AMPHITHEATER AND PICNIC FACILITIES. THE PARK IS INTENDED AS A LIVING MEMORIAL TO THE VETERANS OF WORLD WAR II.

CONCLUSION

MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE, WE HAVE SUBMITTED A LIST OF ADDITIONAL FUNDING REQUESTS WHICH THE COMMONWEALTH OF THE NORTHERN MARIANAS CONSIDERS TO BE VITAL TO OUR SOCIAL AND ECONOMIC DEVELOPMENT. WE HAVE TRIED OUR BEST TO FIND LOCAL FUNDING THROUGH SUBSTANTIAL INCREASES IN UTILITY RATES AND COLLECTION OF NEW TAXES, BUT WE STILL HAVE A LONG WAY TO GO. WITHOUT PROPER INFRASTRUCTURE IN PLACE, WE WILL NEVER BE ABLE TO DEVELOP THE ECONOMIC RESOURCES NEEDED TO MEET OUR FINANCIAL RESPONSIBILITIES AS A GOVERNING COMMONWEALTH WITHIN THE AMERICAN COMMUNITY.

WITH THE CLOSE OF FISCAL YEAR 1985, WE REACHED THE END OF THE FIRST SEVEN YEAR PERIOD OF OUR YOUNG POLITICAL ASSOCIATION WITH THE UNITED STATES. I KNOW OF NO OTHER UNITED STATES TERRITORY OR STATE THAT WAS GIVEN SUCH A COMPRESSED TIMETABLE WITHIN WHICH TO REACH POLITICAL AND ECONOMIC MATURITY. WHEN WE ENTERED INTO POLITICAL UNION WITH THE UNITED STATES AND ADOPTED OUR OWN CONSTITUTION, A MERE SEVEN YEARS AGO, WE TOOK UPON OURSELVES AND OUR CHILDREN A HISTORIC MISSION: WE TOOK UP THE OPPORTUNITIES AND CHALLENGES, AND THE VERY REAL BURDENS OF SELF-GOVERNMENT. EMERGING FROM A PAST DEVOID OF SELF-GOVERNMENT, WE ARE REQUIRED TO RAPIDLY CREATE AND WISELY ADMINISTER OUR OWN POLITICAL ORGANIZATION. AND WE MUST DO THIS AND DO IT WELL, EAGER AS WE ARE TO DECREASE OUR DEPENDENCY ON THE FEDERAL GOVERNMENT AND INCREASE OUR OWN SELF-RELIANCE. WE BELIEVE THAT THIS CONSTITUTES SELF-GOVERNMENT AND THIS IS FUNDAMENTAL TO OUR POLITICAL RELATIONSHIP WITH THE UNITED STATES AND FORMS THE VERY HEART OF THE COVENANT IN ENSURING THAT THE NMI PURSUE POLITICAL, ECONOMIC, AND SOCIAL

OBJECTIVES WHICH REFLECT THE ASPIRATIONS OF ITS PEOPLES. HOWEVER, OUR ASPIRATIONS FOR TRUE SELF-GOVERNMENT CAN ONLY BE ACHIEVED WITH YOUR CONTINUED HELP. WE ARE ASKING, IN ESSENCE, FOR THE MINIMUM FINANCIAL ASSISTANCE WHICH WE DEEM ESSENTIAL TO DEVELOP OUR ISLANDS INFRASTRUCTURE, TO PROVIDE THE VERY BASIC SERVICES TO OUR COMMUNITIES, AND TO ENCOURAGE DEVELOPMENT THAT PROVIDES THE BASIS FOR INCREASED REVENUE GENERATING CAPABILITY AND EVENTUAL SELF-RELIANCE.

"ATTACHMENT A"

PLANNED DISTRIBUTION OF CAPITAL IMPROVEMENT FUNDS

THE DISTRIBUTION OF COVENANT CAPITAL IMPROVEMENT FUNDS AMONG THE ISLANDS IN THIS PLAN FOLLOWS COVENANT REQUIREMENTS. SAIPAN RECEIVES 63% OF THE FUNDS; ROTA 20%; TINIAN 14% AND NORTHERN MARIANA ISLANDS ABOUT 2%.

HEALTH

THE PLAN INCLUDES A LITTLE OVER $2.5 MILLION IN HEALTH EXPENDITURES TO BE USED ON SAIPAN PRINCIPALLY FOR PROCUREMENT OF MEDICALLY-RELATED EQUIPMENT FOR THE NEW HOSPITAL AND ON TINIAN AND ROTA IN THE VILLAGE DISPENSARIES.

EDUCATION

ABOUT $12.9 MILLION IN CIP FUNDS IS PROGRAMMED FOR EDUCATION PURPOSES. THESE FUNDS ARE TO COVER PRINCIPALLY THE CONSTRUCTION OF FACILITIES FOR ALL THREE EDUCATIONAL LEVELS - ELEMENTARY, JUNIOR HIGH AND SENIOR HIGH. BY 1990, ALL ADDITIONS - LIBRARY AND ADMINISTRATION BUILDING, SCIENCE CLASSROOMS AND VOCATIONAL BUILDINGS - TO MARIANAS HIGH SCHOOL, ROTA HIGH SCHOOL AND TINIAN HIGH SCHOOL SHOULD BE COMPLETED. BECAUSE OF A PLAN TO PLACE AN ADDITIONAL GRADE (9th) INTO THE HIGH SCHOOL, LEAVING ONLY TWO GRADES AT THE JUNIOR HIGH SCHOOL LEVEL, NO ADDITIONAL WORKS IS BEING CONTEMPLATED ON HOPWOOD JUNIOR HIGH SCHOOL OTHER THAN MAJOR RENOVATION AS REQUIRED.

NATURAL RESOURCES

FUNDS ALLOCATED TO NATURAL RESOURCES AVERAGE $712,000 PER YEAR OR ABOUT $5.1 MILLION OVER THE NEXT SIX YEARS. THEY WILL SUPPORT ECONOMIC GROWTH IN THE CNMI AND FISHERY DEVELOPMENT, RENOVATION AND CONSTRUCTION OF AGRICULTURAL FACILITIES AND A LIVESTOCK EXTENSION OFFICE, PROVISION OF SLAUGHTERHOUSE REFRIGERATION AND EXPANSION OF IRRIGATION SYSTEMS.

UNDER FISHERY DEVELOPMENT, ABOUT $1,400,000 OR $230,000 A YEAR IS PROVIDED FOR THE CONSTRUCTION OF FISHING FACILITIES.

SEWER

SEWER SYSTEM EXPANSION, PARTICULARLY ON SAIPAN AND ROTA, IS THE ESSENCE OF THE PROPOSED EXPENDITURES FOR SEWER AND SANITATION. ABOUT $7.3 MILLION IS PROVIDED IN THE PLAN OVER THE SEVEN YEARS. CURRENTLY, ABOUT 55% OF THE HOUSES ARE HOOKED UP TO THE MAIN LINE. THIS EXPENDITURE SHOULD INCREASE THE PROPORTIONS OF HOUSES HOOKED UP TO 65%. FUNDING FOR SEWERS IN THE PLAN IS PRIMARILY GEARED TOWARD MATCHING U.S. EPA FUNDS. CONSTRUCTION OF A SEWER SYSTEM IS PLANNED FOR ROTA IN 1986. EXPANSION AND RENOVATION OF THE SAIPAN SEWER SYSTEM IS ONGOING. BY THE END OF 1986, SEWER LINE WOULD BE INSTALLED TO THE NORTH END OF SAIPAN WHERE A NEW LUXURY HOTEL IS UNDER CONSTRUCTION.

WATER

BETWEEN FY 1986 AND FY 1992, ABOUT $5 MILLION OR 5% OF TOTAL AVAILABLE FUNDS IS PROGRAMMED FOR WATER ACTIVITIES. ABOUT $3.7 MILLION OR 70% OF THE $5 MILLION IS TO BE UTILIZED FOR UPGRADING AND EXTENDING WATER SYSTEMS. WATER SYSTEM DEVELOPMENT WARRANTS SUCH A HIGH PRIORITY BECAUSE OF THE CHRONIC WATER SHORTAGE PROBLEMS AFFECTING EVERYONE. IT IS CURRENTLY ESTIMATED THAT MORE THAT ONE-THIRD OF THE WATER SUPPLY IS LOST EACH DAY BECAUSE OF LEAKS IN THE SYSTEMS. EVERYONE, THEREFORE, BENEFITS FROM IMPROVING THE WATER

SYSTEM AND IT IS A CENTRAL PART OF ANY ATTEMPT TO ATTAIN A STANDARD OF LIVING COMPARABLE TO THE MAINLAND UNITED STATES.

ROADS

NEARLY 10% OF TOTAL FUNDS OR $10.8 MILLION FOR FY 1986-1992 IS TO BE MADE AVAILABLE FOR ROADS AND DRAINAGE. THE ROTA AIRPORT ACCESS ROAD IS NEARING COMPLETION. ABOUT $2.4 MILLION FOR PRIMARY ROAD CONSTRUCTION IS TO BE MADE AVAILABLE FOR SAIPAN TO AUGMENT FEDERAL HIGHWAY FUNDING WHICH HAS BEEN LESS THAN A MILLION DOLLARS PER YEAR. THE EMPHASIS ON ROAD CONSTRUCTION IN THE PLAN IS FOR THE CONSTRUCTION OF SECONDARY AND SCENIC ROADS TO COMPLIMENT THE TOURIST INDUSTRY. A LITTLE OVER $7.0 MILLION IS PROGRAMMED FOR THE SEVEN YEARS.

PORTS

A LITTLE OVER $10 MILLION IS TO BE MADE AVAILABLE DURING THE PLANNING PERIOD FOR PORTS AND HARBORS, WHICH COVERS FOUR MAJOR PROJECTS - IMPROVEMENTS TO CHARLIE DOCK, CONSTRUCTION OF A PORT IN TINIAN, CONSTRUCTION IN EAST DOCK IN ROTA AND CONSTRUCTION OF PIERS IN THE NORTHERN ISLANDS.

POWER

THE PROPOSED $40 MILLION IN FUNDS FOR POWER COVERS THREE CATEGORIES: (1) EXPANSION OF SAIPAN POWER PLANT TO INCLUDE A 5th GENERATING UNIT; (2) DEFERRED PAYMENTS FOR THE 4th UNIT IN FY 1986 AND 1987; (3) IMPROVEMENTS TO POWER DISTRIBUTION SYSTEMS.

THE POWER PROBLEMS HAS REACHED A POINT WHERE EXPANSION OF PLANT CAPACITY TO MEET EVER GROWING DEMANDS CAN NO LONGER BE UNDERTAKEN WITHOUT CONCURRENT UPGRADING OF THE DISTRIBUTION SYSTEM. APPROXIMATELY HALF OF THE SOUTHER PARTS OF SAIPAN ARE EXPERIENCING OVER 30% VOLTAGE DROP. THIS IS A VERY EXPENSIVE ENERGY LOSS AND A DAMPER TO ECONOMIC DEVELOPMENT FOR THE SOUTHERN PART OF SAIPAN.

THE POWER DISTRIBUTION IMPROVEMENTS WILL INSTALLED LARGE DIAMETER

DISTRIBUTION CONDUCTORS, CONSTRUCTION OF A SUBSTATION AND POLE HARDENING FOR TYPHOON PROTECTIONS. UNFORTUNATELY, FUNDING CAN ONLY BE MADE AVAILABLE LATE IN THE PLAN WHERE FUNDS CAN PROGRAMMED.

HOUSING INFRASTRUCTURE

MOST MONEY FOR THE CONSTRUCTION OF HOUSING IS PROVIDED FROM FEDERAL FUNDS. THERE HAVE BEEN SEVERAL INSTANCES WHEN THE FUNDS (ADMINISTERED BY THE MARIANA ISLANDS HOUSING AUTHORITY) IS INSUFFICIENT TO COVER THE COST OF CONSTRUCTION OF INFRASTRUCTURES. THEREFORE, THE FUNDS PROGRAMMED IN THE PLAN IS INTENDED TO AUGMENT FEDERAL FUNDS AND TO PROVIDE POWER, SEWER AND ROADS TO THE HOMESTEAD PROGRAMS; THE LATTER BEING THE PRIMARY PURPOSE OF THE $4,000,000 PLANNED FOR HOUSING IN THE NEXT SEVEN YEARS.

PUBLIC BUILDING

ABOUT $8.5 MILLION IS TO BE MADE AVAILABLE FOR CONSTRUCTION OR RENOVATION OF PUBLIC BUILDINGS. ACTIVITIES SCHEDULED TO BE FUNDED DURING THE PLANNING PERIOD ARE (1) CONSTRUCTION OF CIVIC CENTER COMPLEXES FOR ROTA AND TINIAN, (2) RENOVATION OF TRUST TERRITORY PROPERTY WHEN IT IS TRANSFERRED TO THE GCNMI. (3) CONSTRUCTION OF MULTI-PURPOSE GYMNASIUM. THE CONSTRUCTION OF CIVIC CENTERS ON ROTA AND TINIAN ARE PHASED FOR FY 1987 AND FY 1988 BECAUSE OF FUNDING RESTRICTIONS.

UNDER PUBLIC SAFETY ABOUT $1,300,000 IS PLANNED PRIMARILY FOR THE CONSTRUCTION OF POLICE AND FIRE SUBSTATION IN THE NEW VILLAGE (e.g. KOBLERVILLE IN SAIPAN).
ABOUT $109,000 EACH YEAR IN CIP FUNDS OR $760,000 OVER THE SEVEN YEARS, IS PROGRAMMED FOR COMMUNITY AND CULTURAL AFFAIRS ($610,000 FOR SAIPAN, $150,000 FOR ROTA AND $145,000 FOR TINIAN). HISTORICAL PRESERVATION IN SAIPAN IS ALLOCATED $30,000 EACH YEAR AND RECREATIONAL FACILITIES ON SAIPAN, ROTA AND TINIAN SHARE THE REMAINDER.

Statement of Juan N. Babauta

I AM JUAN N. BABAUTA, CHAIRMAN OF THE FISCAL AFFAIRS COMMITTEE OF THE SENATE OF THE FIFTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE. THIS IS THE FIRST TIME I HAVE BEEN PRIVILEGED TO APPEAR BEFORE YOU TO TESTIFY ON BEHALF OF THE BUDGET REQUEST FOR THE NORTHERN MARIANA ISLANDS, AND IT DOES INDEED GIVE ME GREAT PLEASURE TO BE HERE IN OUR NATION'S CAPITOL. SO I WOULD LIKE TO BEGIN BY OFFERING YOU THE GREETING WE USE BACK HOME -- A CHEERFUL HAFA ADAI! TO EVERYONE IN THE ROOM TODAY.

OUR GOVERNOR HAS ALREADY VERY CABABLY OUTLINED FOR THE COMMITTEE THE NORTHERN MARIANA ISLANDS GOVERNMENT'S PLAN FOR EXPENDITURES IN FISCAL YEAR 1987 AND THE JUSTIFICATION AND NEED FOR UNITED STATES FINANCIAL ASSISTANCE. IN MY TESTIMONY TODAY, I WOULD LIKE TO INFORM YOUR COMMITTEE THAT BOTH THE SENATE AND THE HOUSE OF REPRESENTATIVES IN THE CNMI FULLY SUPPORT THE GOVERNOR'S TESTIMONY, AND CALL THE ATTENTION OF THE COMMITTEE TO THOSE MATTERS WHICH WE IN THE COMMONWEALTH LEGISLATURE FIND TO BE MOST IMPORTANT AND SIGNIFICANT.

FUNDAMENTALLY, OUR FY 1987 BUDGET REQUEST IS BASED ON THE AGREEMENT FOR A NEW PERIOD OF MULTI-YEAR FINANCIAL ASSISTANCE, SIGNED BY SPECIAL REPRESENTATIVES OF THE PRESIDENT OF THE UNITED STATES AND THE GOVERNOR OF THE NORTHERN MARIANA ISLANDS ON JULY 10, 1985. WE BELIEVE THAT AGREEMENT PROVIDES A SOUND BASIS FOR CONTINUED DEVELOPMENT IN THE NORTHERN MARIANA ISLANDS ALONG WITH ASSURANCES THAT U.S. FINANCIAL ASSISTANCE WILL BE SPENT EFFECTIVELY AND RESPONSIBLY, AND WE URGE CONGRESS ENACT IT INTO LAW PROMPTLY WITHOUT CHANGE (H.J.R. 423).

WE DO WISH TO NOTE, HOWEVER, THAT THE JULY 10, 1985 AGREEMENT IS A COMPLEX DOCUMENT, AND CONCURRENCE BY THE REPRESENTATIVES OF BOTH SIDES WAS PREMISED ON THE PRINCIPLE THAT IT WOULD BE TAKEN AS A WHOLE, THAT EACH AND EVERY ONE OF ITS PROVISIONS ARE MUTUALLY INTERDEPENDENT, AND THAT THE INTEGRITY OF EACH DETAIL AND PROVISION WOULD BE PRECISELY PROTECTED AND PRESERVED. IN THIS CONTEXT, IT IS IMPORTANT TO NOTE THAT AN ENTIRELY SEPARATE CONGRESSIONAL ACTION HAS ALREADY WEAKENED THE FOUNDATION OF THAT AGREEMENT, AND WE WOULD HOPE THAT CAN BE REMEDIED AT THIS TIME.

THE GRAMM-RUDMAN-HOLLINGS ACT HAS ALREADY CAUSED A REDUCTION IN FUNDING FOR THE NORTHERN MARIANA ISLANDS BELOW THAT PROVIDED FOR THE FIRST YEAR UNDER THE NEW MULTI-YEAR FINANCIAL ASSISTANCE AGREEMENT. GRAMM-RUDMAN-HOLLINGS IMPACTS NOT ONLY THE NORTHERN MARIANA ISLANDS BUT ALL INSULAR AREAS. BECAUSE OF STRUCTURAL DIFFERENCES BETWEEN THE STATES AND THE INSULAR AREAS, IT IMPOSES A GREATER BURDEN ON INSULAR AREAS THAN IT DOES STATES. AND AS HAS BEEN NOTED BY THE CHAIRMAN OF COMMITTE ON INTERIOR AND INSULAR AFFAIRS, THE HONORABLE MORRIS K. UDALL, ITS APPLICATION TO THE INSULAR AREAS HAS THE EFFECT OF CONTRADICTING LONG-ESTABLISHED INSULAR POLICY AND VIOLATING THE BASIS OF FEDERAL-INSULAR RELATIONSHIPS. FOR THESE REASONS, WE BELIEVE CONGRESS SIMPLY OVERLOOKED THE INSULAR AREAS IN THE COURSE OF THE DIFFICULT DEBATE OVER GRAMM-RUDMAN-HOLLINGS, AND WE WOULD HOPE, AND URGE, THAT CONGRESS WILL NOW ACT TO EXEMPT ALL INSULAR AREAS FROM THE EFFECTS OF GRAMM-RUDMAN-HOLLINGS.

WE WOULD ALSO LIKE TO CALL TO YOUR ATTENTION THE FACT THAT THE NEW MULTI-YEAR FUNDING AGREEMENT, UNLIKE THE ORIGINAL COVENANT SECTION 702 FUNDING, DOES NOT CONTAIN AN INFLATION ADJUSTMENT FACTOR. THIS IS JUST ONE MORE REASON WHY IT IS SO IMPORTANT THAT FULL FAITH AND CREDIT OF THE UNITED STATES GOVERNMENT BE PLEDGED TO THE SPECIFIC DOLLAR FIGURES CONTAINED IN THE NEW AGREEMENT AND THAT THOSE FUNDS BE PROTECTED FROM THE DEFICIT-CUTTING MEASURES THAT ARE, OF NECESSITY, BEING APPLIED TO THE FEDERAL GOVERNMENT.

IT IS ALSO NOTEWORTHY THAT THE NEW AGREEMENT PROVIDES A MAJOR CHANGE IN THE STRUCTURE OF FINANCIAL ASSISTANCE TO THE NORTHERN MARIANA ISLANDS. OVER 55 PERCENT OF THE TOTAL FUNDING TO BE PROVIDED IS FOR CAPITAL DEVELOPMENT, AND FUNDING FOR GOVERNMENT OPERATIONS DECLINES BY APPROXIMATELY ONE MILLION DOLLARS EACH YEAR. IN CONTRAST, NEARLY 60 PERCENT OF THE FUNDING PROVIDED IN THE INITIAL SEVEN YEARS OF COVENANT FUNDING WAS FOR GOVERNMENT OPERATIONS. WE IN THE NORTHERN MARIANAS ARE PROUD OF THE PROGRESS WE HAVE MADE TOWARD SELF-SUPPORT AND VERY GRATEFUL TO THE UNITED STATES FOR YOUR ASSISTANCE IN OUR DEVELOPMENT.

IN ADDITION TO THE BASIC LEVEL OF GOVERNMENT OPERATIONS AND CAPITAL DEVELOPMENT ASSISTANCE ENCOMPASSED IN THE NEW MULTI-YEAR FUNDING AGREEMENT, WE HAVE A CRITICAL NEED FOR FUNDING FOR SOME

VITAL AND SIGNIFICANT CAPITAL IMPROVEMENT PROJECTS THAT ARE PRESENTLY BEYOND THE CAPABILITY OF OUR GROWING, BUT LIMITED, LOCAL RESOURCES. FOR THE MOST PART, THESE NEEDS HAVE BEEN RECOGNIZED PREVIOUSLY BY THE CONGRESS IN THE FORM OF AUTHORIZATIONS FOR APPROPRIATIONS, AND WE SOLICIT THE UNDERSTANDING AND ASSISTANCE OF THIS COMMITTEE AND THE CONGRESS IN APPROPRIATING FUNDS FOR THESE PROJECTS THIS YEAR.

$5.8 MILLION FOR SAIPAN WATER PROJECTS. CONGRESS APPROPRIATED $2.85 MILLION FOR THIS PURPOSE LAST YEAR FROM THE $15 MILLION AUTHORIZED IN PUBLIC LAW 98-454. THIS PERMITTED US TO BEGIN MAKING IMPROVEMENTS BASED ON A PLAN DRAWN UP IN CLOSE COOPERATION WITH THE OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS AND THE BUREAU OF RECLAMATION. IT IS IMPORTANT THAT WE MOVE FORWARD RAPIDLY TO ENSURE THE PEOPLE OF THE COMMONWEALTH OF SAFE AND RELIABLE WATER SUPPLIES, AND $5.8 MILLION IS REQUIRED FOR THE SECOND PHASE OF IMPROVEMENTS THIS YEAR.

$7.0 MILLION FOR POWER SYSTEM IMPROVEMENTS. THIS REPRESENTS THE BALANCE OF THE AUTHORIZATION IN PUBLIC LAW 95-38 FOR CONSTRUCTION OF PERMANENT POWER PLANTS FOR SAIPAN AND ROTA. THE POWER SITUATION ON ROTA TODAY IS OF CRISIS PROPORTIONS. INADEQUATE CAPACITY AND ANTIQUATED EQUIPMENT HAVE COMBINED TO PRODUCE FREQUENT AND PROLONGED OUTAGES, SEVERE POWER FLUCTUATIONS, AND EXTREMELY HIGH OPERATING AND MAINTENANCE COSTS. THE NET RESULT IS STIFLED ECONOMIC GROWTH, HINDERANCES TO THE IMPORTANT TOURISM INDUSTRY, HEALTH HAZARDS, INCONVENIENCE TO THE PEOPLE, AND BUSINESS LOSSES. ON SAIPAN, THE ADDITION OF A FIFTH GENERATOR IS NOW IMPERATIVE. THE SAIPAN POWER PLANT WAS CONSTRUCTED IN 1979 TO MEET IMMEDIATE NEEDS AND ACCOMODATE THE FUTURE ADDITION OF GENERATORS. DEMAND HAS GROWN CONSIDERABLY. AS ONE GENERATOR IS SHUT DOWN FOR MAINTENANCE, WE NOW MUST RELY ON EXPENSIVE, ANTIQUATED, UNRELIABLE BACKUP GENERATORS IN ORDER TO MEET DEMAND. THE RESULT HAS BEEN INCREASED PROBLEMS WITH VOLTAGE FLUCTUATIONS AND OUTAGES THAT ARE HURTING BUSINESSES, CAUSING PRODUCTIVITY LOSSES AND SOMETIMES DAMAGING EQUIPMENT. FURTHER, UPGRADING AND TYPHOON HARDENING OF THE POWER DISTRIBUTION SYSTEMS ON SAIPAN, TINIAN, AND ROTA IS AN URGENT NEED. EXPANSION OF THE SYSTEM IS NEEDED TO MEET THE ELECTRICAL POWER NEEDS OF NEW POPULATION CENTERS AND PERMIT CONTINUED INDUSTRIAL, COMMERCIAL, AND GENERAL ECONOMIC GROWTH. FREQUENT POWER OUTAGES AND VOLTAGE FLUCTUATIONS ARE RESULTING FROM OUR INADEQUATE DISTRIBUTION SYSTEM. THESE ARE VERY COSTLY TO BOTH THE GOVERNMENT, WHICH MUST MAKE FREQUENT EMERGENCY REPAIRS, AND POWER CONSUMERS, BOTH BUSINESS AND RESIDENTIAL, WHOSE EQUIPMENT AND APPLIANCES MAY BE DAMAGED, FOOD SPOILED, AND LIVES DISRUPTED. FURTHER, A TYPHOON TODAY COULD WIPE OUT THE ENTIRE DISTRIBUTION SYSTEM. RESTORATION OF POWER COULD TAKE MONTHS AND REQUIRE THE EMERGENCY EXPENDITURE OF MILLIONS OF DOLLARS. THE ECONOMIC AND PERSONAL IMPACT WOULD BE DISASTEROUS. CONSEQUENTLY, TYPHOON HARDENING OF THE SYSTEM NEEDS TO BE UNDERTAKEN IMMEDIATELY.

$1.0 MILLION TO COMPLETE CONSTRUCTION OF THE COMMONWEALTH HEALTH CENTER, AND AN ADDITION $800,000 FOR START-UP COSTS.

$15.8 MILLION FOR SAIPAN PORTS AND HARBOR IMPROVEMENTS. IN MAY 1981, THE U.S. ARMY CORPS OF ENGINEERS COMPLETED ITS PRELIMINARY PORT AND HARBOR STUDY, AS MANDATED BY CONGRESS AND COMMISSIONED BY THE DEPARTMENT OF INTERIOR. THIS STUDY, ALONG WITH A COMPREHENSIVE DEVELOPMENT PLAN AND A DETAILED ENGINEERING REPORT PREPARED FOR THE COMMONWEALTH GOVERNMENT, CONFIRMS THE NEED FOR $46.5 MILLION IN IMPROVEMENTS TO THE SAIPAN PORT AND HARBOR. THE WORK WOULD BE COMPLETED IN THREE PHASES. CONSEQUENTLY, WE RESPECTFULLY REQUEST THAT THE FULL $46.5 MILLION, PLUS INFLATION ADJUSTMENTS, BE AUTHORIZED AND $15.6 MILLION APPROPRIATED THIS YEAR. TODAY MANY ECONOMIC DEVELOPMENT OPPORTUNITIES ARE BEING LOST DUE TO INSUFFICIENT HARBOR CAPACITIES AND DEFICIENCES IN CHANNEL NAVIGATABILITY, THE TURNING BASIN, AND ONSHORE CARGO HANDLING FACILITIES. EVERYDAY VESSLES BYPASS SAIPAN WHICH OTHERWISE COULD CALL AT OUR PORT.

$3.0 MILLION FOR AN AMERICAN MEMORIAL PARK. THESE FUNDS WERE AUTHORIZED BY U.S. PUBLIC LAW 95-348 BUT NEVER APPROPRIATED. FRANKLY, IT SADDENS ME DEEPLY THAT NEARLY HALF A CENTURY HAS PASSED SINCE AMERICAN SOLDIERS SHED THEIR BLOOD TO LIBERATE OUR ISLANDS FROM THE JAPANESE, AND THERE IS STILL NO FITTING MEMORIAL IN OUR ISLANDS TO THOSE COURAGEOUS AND PATRIOTIC MEN AND WOMEN, MILITARY AND CIVILIAN, WHO DEDICATED AND SACRIFICED SO MUCH FOR THEIR COUNTRY AND THEIR PRINCIPLES. JAPAN AND KOREA HAVE ERECTED MEMORIALS; OUR AMERICAN MEMORIAL PARK IS DESIGNATED AND MAINTAINED, YET IT REMAINS

JUST A PART, WITH LITTLE TO PAY TRIBUTE TO THE SIGNIFICANCE OF THE AMERICAN COMMITMENT, SACRIFICE, AND LOSSES.

FINANCIAL ASSISTANCE IS ONLY ONE ASPECT OF THE U.S. COMMITMENT EMBODIED IN THE COVENANT TO "ASSIST THE CNMI IN ITS EFFORTS TO ACHIEVE A PROGRESSIVELY HIGHER STANDARD OF LIVING FOR ITS PEOPLE AS PART OF THE AMERICAN ECONOMIC COMMUNITY AND TO DEVELOP THE ECONOMIC RESOURCES NEEDED TO MEET THE FINANCIAL RESPONSIBILITIES OF LOCAL SELF-GOVERNMENT." ALL THE FINANCIAL ASSISTANCE SO GENEROUSLY PROVIDED WILL COME TO AUGHT IF OTHER FEDERAL POLICIES AND LAWS STYMIE OUR CONTINUED GROWTH AND DEVELOPMENT.

THIS IS THE REASON WE IN THE NMI HAVE REPEATEDLY ATTEMPTED TO GET COLLATERAL ISSUES AFFECTING OUR RELATIONSHIP WITH THE UNITED STATES RESOLVED, AND THIS IS THE REASON WE ARE VERY DISTURBED THAT, IN SPITE OF OUR FORMAL REQUEST APPROXIMATELY NINE MONTHS AGO AND SEVERAL FOLLOW-UP EFFORTS, THE U.S. GOVERNMENT HAS FAILED TO APPOINT A SPECIAL REPRESENTATIVE PURSUANT TO COVENANT SECTION 902 TO DISCUSS THESE ISSUES.

OF CRITICAL IMPORTANCE ARE FUTURE CONTROL OF IMMIGRATION, APPLICATION OF THE FEDERAL TAX SYSTEM, TRADE POLICY, FISHERY AND SEABED RESOURCES.

WAR CLAIMS

AS YOU KNOW, THE NORTHERN MARIANA ISLANDS WERE RAVAGED BY WORLD WAR II. THE ENTIRE ECONOMIC BASE WAS WHOLELY AND COMPLETELY DESTROYED, ALONG WITH THE ENTIRE ADMINISTRATIVE APPARATUS AND MANY OF THE RECORDS OF BIRTHS, DEATHS, AND LAND OWNERSHIP. 14,224 AMERICANS, 28,811 JAPANESE AND MANY CHAMORROS AND CAROLINIANS WERE WOUNDED OR KILLED. AFTER THE INVASION, SAIPAN AND TINIAN WERE TURNED INTO HUGE MILITARY BASES. THE CIVILIAN POPULATION WAS INTERNED FOR ALMOST TWO YEARS.

A MICRONESIAN CLAIMS COMMISSION WAS ESTABLISHED BY THE UNITED STATES IN 1971 PURSUANT TO THE MICRONESIAN WAR CLAIMS ACT AND PROCEEDED TO DETERMINE NECESSARY, JUST AND FAIR WARTIME DAMAGES TO BE AWARDED. WHILE THE GREATER PORTION OF THESE CLAIMS HAS ALREADY BEEN PAID, SOME $24 MILLION IS STILL DUE UNDER TITLE I, WHICH INCLUDED CLAIMS FOR THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS.

UNDER TITLE I, JAPAN WAS TO PAY 50% OF THE CLAIMS. HOWEVER, AN AGREEMENT SIGNED IN 1969 BY THE UNITED STATES AND JAPAN FREED JAPAN

OF ANY FUTURE LIABILITY FOR REPARATIONS. NEVERTHELESS, THE GOVERNMENT OF JAPAN HAS PROVIDED CONSIDERABLE AID TO MICRONESIA IN THE FORM OF GRANTS AND IN-KIND ASSISTANCE. CERTIFICATION BY THE UNITED STATES THAT THIS JAPANESE DEVELOPMENT ASSISTANCE TO THE TRUST TERRITORY OF THE PACIFIC ISLANDS CONSTITUTES THE REQUIRED JAPANESE CONTRIBUTION IN SETTLEMENT OF THESE CLAIMS WOULD PAVE THE WAY FOR THE UNITED STATES TO PAY THE REMAINING BALANCE OF THIS LONG-STANDING OBLIGATION.

THE ISSUE OF WAR CLAIMS IS A MATTER OF GREAT SENSITIVITY AND CONCERN TO THE PEOPLE OF THE NORTHERN MARIANAS AND ALL OF MICRONESIA. OUR PEOPLE SUFFERED THE CONSEQUENCES OF A WAR IN WHICH THEY WERE HELPLESS AND INNOCENT VICTIMS. WE ARE MERELY ASKING FOR FAIR COMPENSATION FOR THE SEVERE ECONOMIC LOSSES, INCLUDING LIVES, WE SUFFERED OVER FORTY YEARS AGO. IT IS TIME TO BRING THIS MATTER TO A CLOSE.

THE 1969 AGREEMENT WITH JAPAN WAS MADE WITHOUT ANY CONSULTATION WHATSOEVER WITH REPRESENTATIVES FROM THE MARIANAS OR OTHER MICRONESIAN COMMUNITIES. AS A RESULT OF THIS UNILATERAL ACTION BY THE U.S., THE PEOPLE OF THE MARIANAS AND MICRONESIA CAN ONLY FEEL THAT THE UNITED STATES HAS ASSUMED FULL RESPONSIBILITY FOR SETTLEMENT OF THE REMAINING WAR CLAIMS. THE REQUIRED CERTIFICATION BY THE U.S. SEEMS TO US TO BE A SIMPLE MATTER. BUT TO US, IT IS ONLY A TECHNICAL, LEGAL CONCERN OF THE UNITED STATES. WE URGE YOUR COMMITTEE AND THE CONGRESS TO FULFILL ITS MORAL DUTY AND TAKE WHATEVER STEPS ARE NECESSARY TO PAY IN FULL THE REMAINING WAR CLAIMS DURING FY 1986.

CONCLUSION

YOU, MR. CHAIRMAN, AND YOUR DISTINGUISHED COMMITTEE AND THE UNITED STATES GOVERNMENT HAVE COLLECTIVELY BEEN VERY HELPFUL AND UNDERSTANDING IN TERMS OF OUR NEEDS FROM YEAR TO YEAR. IN ADDITION TO THE SEVEN YEARS OF GUARANTEED FUNDING FOR OPERATIONS, CAPITAL IMPROVEMENTS, AND ECONOMIC DEVELOPMENT, WE HAVE BEEN ASSISTED GREATLY BY FUNDING FOR SUCH CRITICALLY IMPORTANT PROJECTS AS A NEW POWER PLANT, HEALTH FACILITIES, AND WATER SYSTEM IMPROVEMENTS, AMONG OTHER THINGS. THE PEOPLE AND GOVERNMENT OF THE NORTHERN MARIANA ISLANDS WOULD LIKE THE GOVERNMENT OF THE UNITED STATES, AND YOUR COMMITTEE IN PARTICULAR, TO KNOW WE ARE DEEPLY APPRECIATIVE OF THE CONTINUING GOOD

WILL, SUPPORT, AND HELP OVER THE YEARS. YOUR CONSIDERATE AND BIPARTISAN ATTENTION TO OUR SPECIAL FINANCIAL NEEDS HAS MEANT A LOT TO THE PEOPLE OF THE NORTHERN MARIANA ISLANDS AND OUR ECONOMIC AND SOCIAL PROGRESS.

TREMENDOUS PROGRESS HAS BEEN MADE, BUT MUCH REMAINS TO BE DONE. CONSEQUENTLY, WE HUMBLY REQUEST YOUR FAVORABLE CONSIDERATION OF THE BUDGETARY NEEDS WE HAVE PRESENTED HERE TODAY AND FOR A FUTURE PERIOD OF MULTI-YEAR FINANCIAL ASSISTANCE BASED UPON THE RESULTS OF OUR NEGOTIATIONS.

ONCE AGAIN, THANK YOU FOR THE OPPORTUNITY TO TESTIFY BEFORE YOUR COMMITTEE.

MULTIYEAR FINANCIAL ASSISTANCE AGREEMENT

Mr. TENORIO. Mr. Chairman, before I begin my presentation this morning, I would like to extend on behalf of the delegation from the Northern Marianas, our best wishes to you and the members of the committee.

Please allow me to introduce several of my colleagues that have come with me for this hearing today. We have with us Mr. Jose Lifoifoi, who is the speaker of the Fifth Legislature; Senator Julian S. Calvo, president of the senate, the legislature; Mr. Jan Babauta, who is the appropriations chairman for the senate; and our floor leader from the House, Mr. Greg Sablan.

Senator JOHNSTON. I am glad to welcome these distinguished members of your legislature.

Mr. TENORIO. Mr. Chairman, Gov. Pedro P. Tenorio and the people of the Northern Mariana Islands express their appreciation for the opportunity to testify in support of our budget submission for fiscal year 1987, and for your continuing interest in the welfare of the Northern Marianas.

Our people are very grateful to the U.S. Government and to the Congress in particular for your financial support.

The Northern Marianas outlays for fiscal year 1987 are based on the new covenant funding agreement between the Commonwealth and the United States Government.

We, thus, support the fiscal year 1987 budget for the Commonwealth submitted by the Department of the Interior as consistent with the provisions of section 704 of the covenant. For fiscal year 1987, the covenant provides a total of $35.3 million, comprised of $18.2 million for capital improvement programs, and $17 million for government operations.

Detailed breakdowns of how we propose to expend these covenant moneys are provided in the budget schedule which we have submitted to the committee for the record.

Our budgetary request for this year represents amounts for operations and capital improvements that are subject to standards, which reflect the goals and objectives of our government. These standards form the basis of sound financial management practices, timely implementation of programs such as self-sufficient utilities, and the reduction of our government.

The joint recommendation on the new multiyear financial assistance to the Northern Marianas is now awaiting action by Congress. The authorizing committee in the House interior and insular affairs recommends slight modifications which we endorse, and action is expected within the upcoming weeks.

I wish to note, Mr. Chairman, that the new agreement eliminated inflationary adjustment provided in previous years. In addition, close to $1 million per year will be reduced for government operations funding. These are new standards the Northern Marianas Government has adopted, and while they will present serious difficulties, we are, nevertheless, committed to honor our commitment for what we believe will lead to better government in the Northern Mariana Islands.

GRAMM-RUDMAN REDUCTIONS

We do not agree, however, that other Federal budget cuts should be further imposed on our already seriously reduced operations budget, which, when coupled with the new standards, could be extremely counterproductive to good government and the efficient delivery of vital public services.

The Gramm-Rudman reductions on our budget beginning in 1986 will further reduce our operations budget, bringing the total annual reduction close to $2 million. This reduction was not anticipated during the course of our negotiation of the new agreement. In our case, Mr. Chairman, even a small reduction in our government resources will have a major impact on how we deliver public services. I, therefore, request that this committee evaluate this impact.

We are now in the process of developing a comprehensive physical infrastructure and a socioeconomic plan which will provide us with realistic and practical guidelines for expenditures of capital improvement funds for the next multiyear period. Our development priorities, however, remain the same, which is to continue to develop basic utilities, expansion of utilities to new and unserved areas, new construction and expansion of power generating plants, rehabilitation and expansion of highways and roads, and construction of schools and other essential public facilities.

A detailed capital improvement expenditures plan is included in our 1987 budget document submitted to the committee.

TERMINATION OF TRUSTEESHIP

Mr. Chairman, let me turn to a subject now which may not be directly related to our budget presentation, but one that could have serious impact on our relationship.

It is our understanding that the 1947 trusteeship agreement between the United States and the United Nations is scheduled for termination this year. We, in the Northern Marianas, look forward to the trusteeship termination. We have always been on record supporting early termination, and the people of the Northern Marianas continue to support that termination.

Through our more than 7 years of experience of self-government as embodied in the covenant to establish a Commonwealth of Northern Mariana Islands in political union with the United States of America, we have identified and made known to the United States Government several serious deficiencies in our political relationship which must be corrected and resolved prior to termination.

Without resolution of these issues or the lack of a genuine attempt to begin discussions, our people are seriously concerned that opportunity for resolving these vital political relationship issues will be forever lost after termination of the trusteeship agreement. We voted to join the

American political system overwhelmingly and with clear conscience and belief that the U. S. Government would willingly discuss conflicts between us with open minds and with the generosity to recognize, understand and with similar resolve, to address our concerns.

For over 1 year now our Governor has requested the U.S. Government to appoint representatives to discuss with us issues of mutual interest which we have identified over the last 7 years.

Only recently have we received official communication from the Office of Territorial Affairs on the appointment of a U.S. representative for these discussions, but without official acknowledgement of the need to discuss issues we have identified, nor to schedule dates to begin discussions.

I hesitate, Mr. Chairman, but I am compelled to say that such designation of a representative only resulted after our legislature and our executive branch started to publicly note that the Northern Marianas people will call for postponement of termination during this year's trusteeship council meeting until our concerns are addressed or at the very least the promise of dicussions aimed at reaching agreement at the earliest possible date are offered by the administration.

Mr. Chairman, it has always been our hope and dream that termination take place as soon as possible.

What perplexes our people most is the lack of concern and the last-minute gesture by the administering authority to respond to our longstanding request to discuss issues pursuant to section 902 of our political status agreement, the convenant.

Last, Mr. Chairman, we wish to note that the Congress has always been responsive to requests of our people for assistance. We feel strongly that without congressional intervention and support, political and socioeconomic development to date would not have been possible.

We are grateful to the Congress for past assistance and generosity, and we continue to look forward to maintaining a good relationsip with the Congress.

Thank you, Mr. Chairman.

Senator JOHNSTON. Thank you very much, Governor.

We will see Mr. Montoya this afternoon and we will give him a little urging on this question of covenant problems. I hope we can light a little fire under that subject matter.

NORTHERN MARIANAS ECONOMY

How is the economy of the Northern Marianas at this time?

Mr. TENORIO. Mr. Chairman, our economy is prospering very soundly, I would say.

Just to give an example, over the last 7 years we have managed to increase our local revenue from 30 percent of our operation to about 70 percent now. In other words, in 1977 our total income tax and other taxes amounted to only about $5 million. At the present time we are generating close to $40 million of local revenue to help us in running our government.

Senator JOHNSTON. Gone from $5 to $40 million since 1977.

Is that at the same rate, or has the rate gone up?

Mr. TENORIO. This is over a 7-year period.

A gradual increase throughout the 7-year period.

One of the main reasons for an accelerated economic growth is the fledgling tourism activities on the island, thanks to the assistance of the U.S. Congress in providing us with infrastructure money to be able to put in place very essential water and sewage systems, utilities that are required for these kind of activities.

Senator JOHNSTON. How many daily flights do you have from Japan now?

Mr. TENORIO. Mr. Chairman, if I am not mistaken, I think we have about three daily flights from Japan to Saipan by Japan Airlines and Continental.

I understand there will be an opening for new routes again this year, if it hasn't opened yet. We are also getting flights out of Nagoya, direct to Saipan. I believe the Osaka-Saipan route has already opened up just last month.

Senator JOHNSTON. I predict a very great future for tourism in Saipan from Japan. I know I am not alone in making that prediction. I see great prosperity for the Northern Marianas.

Mr. Speaker, Mr. President, did you want to add to what the Governor has said

Mr. LIFOIFOI. Thank you, Mr. Chairman.

We have submitted our testimony.

I would like you to know the House of Representatives supports the budget transmission which was transmitted to your committee, and we hope you will consider this budget.

The chairman from the Senate will have something to say.

Senator JOHNSTON. Thank you. Mr. Speaker.

Mr. BABAUTA. Thank you, Mr. Chairman. My name is Juan Babauta.

LEGISLATIVE SUPPORT FOR NORTHERN MARIANA ISLANDS BUDGET

Mr. BABAUTA. I am chairman of the fiscal affairs committee on the senate side.

Among the other members of the legislature who are here, we have the senate minority leader on this trip with us, although he is not up front here with us to express to the committee that the legislature is in full support of the Governor's submission for the fiscal year 1987 budget.

The fiscal year 1987 budget, Mr. Chairman, fundamentally is based on the new financial assistance agreement between the Commonwealth and the United States. I believe that the agreement also provides a sound basis for continued development in the CNMI, and we have accordingly reduced the CNMI budget as called for by the Gramm-Rudman Act. Although we would have preferred that the CNMI and the other territories would have been exempt from this act.

We have in our budget request several capital improvement projects that are of critical importance for the rapid economic growth that we are experiencing right now in the Commonwealth. Namely, it is our water, power, the hospital project that is to be completed this year, our harbor, and the American Memorial Park.

Just to demonstrate to you, Mr. Chairman, the economic growth that we are experiencing in the CNMI, in 1978 our gross island product, which is equivalent to the United States gross national product measure of economic growth, was $40.6 million. Our estimate for 1987 gross island product is $335 million. That is quite an increase.

Last, Mr. Chairman, I just want to express our appreciation to this committee for its continued support for the Commonwealth.

Thank you very much.

Senator JOHNSTON. Thank you very much, Senator.

Mr. CALVO. My name is Julian Calvo. I am the president of the senate of the Northern Marianas Commonwealth Legislature.

Mr. Chairman and members of this committee, the Lieutenant Governor and the people of the Northern Marianas have submitted a list of additional funding requests which the Commonwealth of the Northern Marianas consider to be very vital to our socioeconomic development.

Mr. Chairman, on behalf of the senate and the house of representatives of the Fifth Northern Marianas Commonwealth Legislature, we fully endorse and support the submission from the Lieutenant Governor as representing the wishes of the people of the Commonwealth. I hope you will consider our request for this fiscal year 1987 budget.

Thank you, Mr. Chairman.

Senator JOHNSTON. Thank you, Mr. President.

Gentlemen, it is always a pleasure to have the Northern Marianas here. I, personally, feel a bit of proprietary interest in the Northern Marianas, having worked along with you in getting the Commonwealth status for the Northern Marianas.

I am proud of what you are doing in terms of governmental structure, as well as the prosperity which is existing today in the Northern Marianas. As I have told the other witnesses, consistent with our ability under Gramm-Rudman, we will certainly do the best we can to fund your high-priority projects.

Thank you very much, gentlemen.

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FEDERATED STATES OF MICRONESIA

STATEMENT OF BAILEY OLTER, VICE PRESIDENT

ACCOMPANIED BY DEL PANGALINEN, BUDGET OFFICER

PREPARED STATEMENTS

Senator JOHNSTON. Next we have the Federated States of Micronesia [FSM].

Mr. OLTER. Thank you, Mr. Chairman. Before I summarize my statement, which I hope has been distributed to be inserted as part of my record?

Senator JOHNSTON. Yes; the full statement will be inserted in the record.

Mr. OLTER. I also have a summary by the chairman of our ways and means committee from our National Congress, to be inserted in the record also.

[The statements follow:]

STATEMENT OF BAILEY OLTER

INTRODUCTION

MR. CHAIRMAN, WHEN OUR BUDGET OFFICIALS LAST VISITED WASHINGTON, WE HAD READ PUBLIC LAW 99-239 AND FELT SECURE IN THE BELIEF THAT THE UNITED STATES WOULD PROVIDE FUNDING FOR THE COMPLETE PACKAGE THAT WAS AUTHORIZED BY THE AMENDED COMPACT OF FREE ASSOCIATION.

UNFORTUNATELY, OUR VISION OF AN ORDERLY PROGRESSION INTO FREE ASSOCIATION HAS BEEN CLOUDED BY SUBSEQUENT EVENTS THAT CALL INTO QUESTION THE UNITED STATES ADMINISTRATION'S COMMITMENT TO P.L. 99-239, AND THEREFORE THE UNDERSTANDING OF THE FSM GOVERNMENT AS TO THE MEANING OF THE AMENDED COMPACT OF FREE ASSOCIATION. WE BECAME AWARE OF THIS GAP IN UNDERSTANDING WITH THE SUBMISSION OF THE ADMINISTRATION'S BUDGET. IT WAS THEN THAT WE REALIZED, THAT DESPITE THE LANGUAGE OF P.L. 99-239, THE U.S. ADMINISTRATION HAD NO INTENTION OF HONORING THE PROGRAM RELATED CHANGES MADE TO THE COMPACT AND WOULD NOT REQUEST THE APPROPRIATION OF FUNDS SO AUTHORIZED. THIS INCLUDED THE ADMINISTRATION'S REFUSAL TO REQUEST APPROPRIATIONS FOR A BADLY NEEDED AND MUCH DISCUSSED TRANSITION OF U.S. FEDERAL PROGRAMS IN EDUCATION. THESE PROGRAMS AND OTHER MEASURES ARE IDENTIFIED IN P.L. 99-239 AND ARE PART OF THE COMPACT.

THE ORDERLY PROGESSION INTO FREE ASSOCIATION HAS ALSO BEEN SET BACK BY ANOTHER PROBLEM THAT RELATES TO THE NEED FOR A TRANSITION PERIOD IN FEDERAL EDUCATION PROGRAMS. AS YOU MAY KNOW, AN INTERPRETATION OF THE LANGUAGE OF SECTION 514 OF P.L. 99-178, HAS STOPPED THE FSM FROM RECEIVING ANY FURTHER FUNDING FOR FEDERAL PROGRAMS RELATED TO HEALTH, EDUCATION AND LABOR. THIS BECAME EFFECTIVE WITH THE ENACTMENT OF THE COMPACT OF FREE ASSOCIATION LAST JANUARY 14TH.

THIS IS OBVIOUSLY NO TRANSITION AT ALL, AND QUITE OUTSIDE THE INTENTIONS OF OUR COUNTRIES AS THEY RELATE TO FREE ASSOCIATION.

MR. CHAIRMAN, THE FSM BELIEVES THIS BUDGET PRESENTATION IS ESPECIALLY CRITICAL TO OUR FUTURE AS WE ENTER THE COMPACT OF FREE ASSOCIATION. WE WILL REQUEST THE APPROPRIATION OF ALL ENTITLEMENTS AND AUTHORIZATIONS INCLUDED IN P.L. 99-239 AND AGAIN RAISE THE CONTINUING TRANSTIION ISSUES THAT WERE NOT ADDRESSED BY THE COMPACT. WE WILL ALSO ADDRESS SEVERAL ISSUES AS THEY RELATE TO THE FY 1986 SUPPLEMENTAL REQUEST.

COMPACT FUNDING

MR. CHAIRMAN, IT IS QUITE CLEAR THAT THE UNITED STATES ADMINISTRATION DOES NOT SUPPORT THE COMPACT OF FREE ASSOCIATION IN THE FORM IN WHICH IT EMERGED AS P.L. 99-239. ITS ACTIONS IN PRESENTING THE FY 1986 SUPPLEMENTAL AND FY 1987 BUDGET SHOW THAT IT DOES NOT RESPECT THE CHANGES MADE TO THE COMPACT BY THE CONGRESS. EXTREMELY IMPORTANT FEATURES OF THE COMPACT THAT WERE ADDED TO THE ORIGINAL DOCUMENT ACCEPTED BOTH BY CONGRESS AND THE FSM ARE CONSCIOUSLY ABSENT FROM THE ADMINISTRATION'S FUNDING REQUEST.

THE FSM GOVERNMENT IS FIRMLY CONVINCED THAT ABSENCE OF THE APPROPRIATION OF FUNDS FOR ALL COMPACT AUTHORIZATIONS AND ENTITLEMENTS WILL DAMAGE THE ABILITY OF THE FSM TO PROVIDE NEEDED SERVICES AND PROGRAMS. WITHOUT QUESTION, THE UNDERSTANDINGS OF ITS PEOPLE CONCERNING FREE ASSOCIATION WILL BE ERODED.

THE ADMINISTRATION'S BUDGET JUSTIFICATION FOR FY 1987 NOTE THAT THEIR REQUEST "IS CONSISTENT WITH THE PROVISIONS OF P.L. 99-239 AND THE NEGOTIATED FUNDING FOR THE SECOND YEAR OF THE COMPACT." THIS, HOWEVER, IS NOT THE CASE.

1. IN BOTH THE FY 86 AND THE FY 87 REQUESTS, THE ADMINISTRATION IGNORES THE PROVISION OF SECTION 105 (1) (2) WHICH PROVIDES THAT FEDERAL PROGRAMS REQUESTED BY THE FAS AND PROVIDING FINANCIAL ASSISTANCE FOR EDUCATION AS OF JANUARY 1, 1985 IN THE FSM AND THE MARSHALLS SHOULD CONTINUE TO PROVIDE SUCH ASSISTANCE ON A DESCENDING SCALE FOR A THREE-YEAR PERIOD. THE ADMINISTRATION SHOULD HAVE FOLLOWED THE INTENT OF THIS PROVISION BY REQUESTING THE APPROPRIATION OF $13 MILLION IN FY 1986 AND $8.7 MILLION IN FY 1987. THESE AMOUNTS ARE TO BE SHARED BY THE FREELY ASSOCIATED STATES. THIS IS ONE OF THE MOST GRIEVIOUS OF THE ADMINISTRATION'S OMMISSIONS.

2. THE ADMINISTRATION DISREGARDS SECTION 105 (O) WHICH AUTHORIZES SUCH SUMS AS MAY BE NECESSARY FOR ESTABLISHING CONTINUING PROGRAMS FOR THE CONTROL AND PREVENTION OF COMMUNICABLE DISEASES. SUCH SUMS ARE NOT TO BE FOUND IN THE ADMINISTRATION'S PROPOSED BUDGET.

3. THE ADMINISTRATION ALSO FAILS TO ADDRESS SECTION 105 (D) WHICH MAKES AVAILABLE SUCH SUMS AS ARE NECESSARY FOR THE PAYMENT OF DEBTS FOR MEDICAL SERVICES INCURRED BY CITIZENS OF THE FEDERATED STATES OF MICRONESIA. IT WILL BE SIGNIFICANT TO THE STABILITY OF OUR HEALTH CARE SYSTEMS IF THE FSM IS ABLE TO BEGIN FREE ASSOCIATION WITH A CLEAN FINANCIAL SLATE WITH UNITED STATES MEDICAL FACILITIES.

4. THE ACTIONS OF THE ADMINISTRATION HAVE RAISED SERIOUS DOUBTS THAT IT SUPPORTS SECTION 105 (L) AND THE TECHNICAL ASSISTANCE PROVISIONS. TECHNICAL ASSISTANCE REQUESTS BY OTIA HAVE BEEN REDUCED BY $2 MILLION FROM THE CURRENT FISCAL YEAR, AND THERE ARE NO ESTIMATES IN THE BUDGET FOR THE COSTS OF TECHNICAL ASSISTANCE TO BE PROVIDED BY THE FOREST SERVICE, SOIL CONSERVATION SERVICE, FISH AND WILDLIFE SERVICE

AND OTHERS. TECHNICAL ASSISTANCE IS NOT LIMITED TO PROVISION OF EXPERTISE. FREQUENTLY IT HAS INCLUDED GRANTS OF FUNDS. WE WISH TO ENSURE THAT THIS OPTION REMAIN AVAILABLE.

5. THE ADMINISTRATION ALSO IGNORES SECTION 105 (N) REGARDING INDEFINITE LAND USE PAYMENTS. THE FSM HAS ALWAYS REGARDED THIS ISSUE AS A RESPONSIBILITY OF THE UNITED STATES ARISING FROM THE TRUSTEESHIP. THESE FUNDS SHOULD BE APPROPRIATED BEFORE THE END OF THE TRUSTEESHIP.

6. THE ADMINISTRATION ALSO IGNORES SECTION 105 (M) WHICH PROVIDES FOR THE CONTINUATION OF THE PRIOR SERVICE BENEFITS PROGRAM. THIS PROGRAM HAS BEEN ACCEPTED BY CONGRESS AS A CONTINUING RESPONSIBILITY OF THE UNITED STATES GOVERNMENT BY ITS INCLUSION IN P.L. 99-239. FUNDING MUST BE PROVIDED IN THE FY 1987 BUDGET FOR THE PROGRAM'S EXPENSES.

AS YOU KNOW, MR. CHAIRMAN, U.S. CONGRESSIONAL REVIEW OF THE COMPACT PROPOSED MANY CHANGES TO THE ORIGINAL DOCUMENT, SOME OF WHICH WE SUPPORTED, SOME OF WHICH WE WERE LESS ENTHUSIASTIC ABOUT. IN THE END, HOWEVER, THE COMPACT EMERGED IN A FORM THAT WAS ACCEPTED BY BOTH OUR GOVERNMENTS. THE SECTIONS THAT THE ADMINISTRATION HAS OMMITED FROM ITS BUDGET SUBMISSION WERE ADDED TO THE ORIGINAL COMPACT THROUGH THE LEGISLATURE REVIEW PROCESS. THAT DOES NOT MINIMIZE THEM, NOR MAKE THEM LESS A PART OF THE AGREEMENT THAN THE REMAINING ORIGINAL CHAPTERS. IN FACT, MR. CHAIRMAN, THE FSM'S AGREEMENT TO THE REVISED COMPACT, AND I MUST STRESS THIS, WAS GIVEN IN RELIANCE ON ALL OF THE PROVISIONS OF P.L. 99-239. WE EXPECTED THAT EACH AND EVERY ONE OF THESE PROVISIONS WILL BE HONORED. WE VIEW THE ADMINISTRATION, THEREFORE, AS PLACING THE U.S. GOVERNMENT IN THE POSITION OF NOT LIVING UP TO ITS PART OF THE ARRANGEMENT.

WE FEEL FORTUNATE, MR. CHAIRMAN, THAT WE ARE ABLE TO BRING THIS CONCERN DIRECTLY TO CONGRESS' ATTENTION. WE FEEL CERTAIN THAT THE CONGRESS' UNDERSTANDING OF THE IMPORTANCE OF THESE SECTIONS OF P.L. 99-239 IS ESSENTIALLY THE SAME AS OURS AND THAT THE UNDERSTANDING WILL BE THE BASIS FOR IMPLEMENTATION OF THE LAW.

FEDERAL EDUCATION TRANSITION

MR. CHAIRMAN, LET ME NOTE FOR THE RECORD THAT THE FSM HAS LONG PRESSED FOR A TRANSITIONAL PHASE-OUT OF FEDERAL PROGRAMS DURING THE INITIAL YEARS OF THE COMPACT. EARLY DRAFTS OF P.L. 99-239 PROVIDED FOR A GENERAL THREE YEAR TRANSITIONAL PERIOD FOR ALL FEDERAL PROGRAMS. IN THE COURSE OF FINAL NEGOTIATIONS, WE ACCEPTED AN ALTERNATIVE APPROACH MAKING SPECIFIC PROVISIONS FOR EDUCATIONAL PROGRAM ASSISTANCE OVER A THREE YEAR PERIOD.

THIS TRANSITIONAL EDUCATION FUNDING WAS CRUCIAL TO THE FSM'S FINAL ACCEPTANCE OF THE COMPACT AS CHANGED BY CONGRESS. THE FSM STATES AND THE COLLEGE OF MICRONESIA ARE PROFOUNDLY CONCERNED THAT THIS PROVISION BE IMPLEMENTED, FOR IT WILL ALLOW THE ORDERLY WIND-UP OF FEDERAL ASSISTANCE AND THE TIME TO ANALYZE WHICH TYPES OF EDUCATIONAL PROGRAMS SHOULD BE RETAINED UNDER COMPACT AND LOCAL FUNDING SOURCES. WE ARE RELIEVED THAT THE CONGRESS HAD THE WISDOM TO DELINEATE IN SUCH SPECIFIC TERMS THIS ESSENTIAL TRANSITIONAL PERIOD BECAUSE WE HAVE BEEN TOLD BY THE ADMINISTRATION THAT THE EARLIER, MORE GENERAL, PROPOSAL WHICH RELIED UPON THE ADMINISTRATION'S COOPERATION WOULD HAVE BEEN IGNORED.

THE ADMINISTRATION'S UNRESPONSIVE POSITION AND THE LANGUAGE OF SECTION 105 (B)(2) OF P.L. 99-239 LEADS US, TO REQUEST THIS FUNDING BE PROVIDED, NOT AS REIMBURSEMENTS THROUGH THE SECRETARY OF INTERIOR, BUT THROUGH THE PROVISION OF DIRECT GRANTS TO THE FAS GOVERNMENTS. THIS REQUEST IS PROMPTED BY THE PECULIAR LANGUAGE

OF THE SECTION REQUIRING "FUNDS APPROPRIATED TO THE SECRETARY ... SHALL NOT BE ALLOCATED TO OTHER AGENCIES." THIS LANGUAGE WITHOUT AMENDMENT GIVES US PAUSE.

WE FEEL THE APPROACH OF MAKING DIRECT GRANTS WILL BE SIMPLER BOTH FOR APPROPRIATION AND FOR THE ADMINISTRATION OF THE FUNDS BY THE UNITED STATES AND THE FAS GOVERNMENTS. IT WILL ALLOW MAXIMUM FLEXIBILITY IN PHASING-OUT PROGRAMS FROM PRIMARY THROUGH POST-SECONDARY EDUCATION. THESE FUNDS ARE PROFOUNDLY IMPORTANT TO THE FAS.

FY 1986 SUPPLEMENTAL APPROPRIATIONS

MR. CHAIRMAN, THE ADMINISTRATION INTENDS TO USE THE FY 1986 SUPPLEMENTAL TO IMPLEMENT THE FINANCIAL PROVISIONS OF THE COMPACT RETROACTIVELY TO THE BEGINNING OF THE CURRENT FISCAL YEAR. WE CONCUR WITH THAT APPROACH.

THERE ARE, HOWEVER, SOME ASPECTS OF THE ADMINISTRATION'S REQUEST WITH WHICH WE DO NOT AGREE. THE ADMINISTRATION IS REQUESTING THAT CONGRESS REAPPROPRIATE THE AMOUNTS OF THIS YEAR'S DOI APPROPRIATIONS AS AN OFFSET AGAINST THE FIRST YEAR COMPACT TOTAL. FOUR ELEMENTS OF THE OFFSET ARE UNACCEPTABLE TO THE FSM. THESE ARE THE AMOUNTS FOR PRIOR SERVICE BENEFITS, COLLEGE OF MICRONESIA OPERATIONS, SATELLITE COMMUNICATIONS AND CAPITAL IMPROVEMENTS.

WE ARE OTHERWISE IN SUPPORT OF THE SUPPLEMENTAL APPROPRIATION PROVIDED IT ALSO ADDRESSES ALL COMPACT REQUIRMENTS AND OUR LONG-STANDING TRANSITION REQUESTS. WE WOULD ALSO PROMOTE THE INSERTION OF THE LANGUAGE BEING CONSIDERED BY OTHER SUBCOMMITTEES INTO THE SUPPLEMENTAL APPROPRIATION TO ADDRESS THE DIFFICULTIES CAUSED BY SECTION 514 OF P.L. 99-178 WHICH PREMATURELY CUTS OFF PROGRAMS UNDER THE DEPARTMENTS OF LABOR, EDUCATION AND HEALTH AND HUMAN SERVICES AS OF JANUARY 14, 1985. THE PREMATURE CUT-OFF OF FEDERAL PROGRAMS IS CREATING GAPS IN THE FUNDING OF VITAL SOCIAL SERVICES

IN THE FSM, WHICH CANNOT BE ADDRESSED BY THE LOCAL GOVERNMENTS WITH THEIR PRESENT RESOURCES. THE THREATENED SERVICES IN THE AREAS OF HEALTH, EDUCATION AND LABOR ARE SO VITAL THAT WITHOUT THEM OUR HEALTH AND EDUCATION SYSTEMS WOULD BE VIRTUALLY SHUT DOWN. ALREADY, THE CUT-OFF IS BEING IMPLEMENTED AS TO PROGRAMS WHICH INCLUDE HEAD START, MATERNAL AND CHILD ASSISTANCE, AGING PROGRAMS AND OTHERS. WE ARE ALSO THREATENED WITH THE ABRUPT LAY-OFF OF MANY FEDERALLY FUNDED EMPLOYEES. WE WILL NOT BE ABLE TO ABSORB THE COSTS OF THESE EMPLOYEES UNTIL COMPACT FUNDS, INCLUDING THE TRANSITIONAL EDUCATIONAL PROGRAMS, ARE PROVIDED.

WE DO NOT BELIEVE THAT THE DISRUPTIVE PROVISION OF P.L. 99-178 REFLECTS THE INTENTION OF THE CONGRESS AND URGE YOU TO SUPPORT RAPID RESOLUTION OF THE PROBLEM.

I WOULD NOW LIKE TO TURN BACK TO THE THREE TRUSTEESHIP OBLIGATION MATTERS NOT RESOLVED IN PUBLIC LAW 99-239. THIS COMMITTEE IS QUITE FAMILIAR WITH THESE LONG-STANDING CONCERNS, BUT I WILL RAISE THEM AGAIN IN AN EFFORT TO IMPRESS UPON THE COMMITTEE THE URGENCY WITH WHICH THE FSM VIEWS THESE MATTERS. NOW THAT IMPLEMENTATION OF THE COMPACT APPEARS IMMINENT, WE FEEL THAT THESE MATTERS SHOULD BE RESOLVED, SO THAT THE UNITED STATES AND THE FEDERATED STATES OF MICRONESIA CAN ENTER INTO THEIR NEW RELATIONSHIP FREE FROM UNFULFILLED COMMITMENTS AND OBLIGATIONS UNDER THE TRUSTEESHIP.

NATIONAL CAPITAL

THE GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA URGENTLY REQUESTS THAT FULL FUNDING FOR CONSTRUCTION OF FSM NATIONAL CAPITAL FACILITIES BE INCLUDED IN THE FY 1986 SUPPLEMENTAL. WITHOUT APPROPRIATION OF THE ADDITIONAL $9.4 MILLION PROMISED, THIS LONG-DELAYED PROJECT WILL BE FURTHER DELAYED, AND THE COST

OF THE PROJECT WILL CONTINUE TO INCREASE SIGNIFICANTLY. MOREOVER, OUR GOVERNMENT WILL LOSE CREDIBILITY IN THE EYES OF CONTRACTORS WHOM WE NEED NOT ONLY FOR THIS PROJECT BUT FOR A RANGE OF DEVELOPMENT PROJECTS OVER THE NEXT FIFTEEN YEARS IN THE FEDERATED STATES OF MICRONESIA. WE DID NOT PROCEED WITH THIS PROJECT UNTIL FUNDS WERE INITIALLY PROVIDED. BUT HAVING STARTED, WE MADE OTHER FORWARD COMMITMENTS TO MAINTAIN PROJECT MOMENTUM AND MINIMIZE COSTS. EQUALLY IMPORTANT, THE PEOPLE OF OUR NATION SHOULD NOT CONTINUE TO BE SADDLED WITH THE SEVERE LIMITATIONS ON THEIR GOVERNMENT'S OPERATIONAL ABILITY IMPOSED BY ITS PRESENT, CRAMPED QUARTERS. EVEN THE MODEST NEW FACILITIES PLANNED WOULD POSITIVELY SYMBOLIZE THE NEW SELF-GOVERNING STATUS OF THE FSM. GIVEN THE DIVERSITY OF THE PEOPLE OF OUR NATION, AND THE NEED FOR GREATER UNITY, THIS SECOND CONSIDERATION MUST NOT BE IGNORED. THE NEW FACILITY CAN BE EXPECTED TO ENGENDER A SPIRIT OF UNITY THAT WILL AID IMMENSELY IN ACHIEVING BETTER COOPERATION AND UNDERSTANDING AMONG OUR CITIZENS.

THE CONSTRUCTION OF PERMANENT NATIONAL CAPITAL FACILITIES FOR THE FEDERATED STATES OF MICRONESIA IS A FIRM AND LONG-STANDING COMMITMENT OF THE UNITED STATES GOVERNMENT, WHICH HAS BEEN EXPRESSED REPEATEDLY. THE NATIONAL CAPITAL PROJECT HAS BEEN A HIGH PRIORITY FOR OUR GOVERNMENT FOR A NUMBER OF YEARS. THE EXISTING TEMPORARY CAPITAL FACILITIES ARE SIMPLY INADEQUATE AND AN EMBARRASSEMENT TO OUR GOVERNMENT AND OUR PEOPLE.

WHILE THE PROJECT IS TO BE COMPLETED OVER A TWO-YEAR PERIOD, OUR GOVERNMENT NEEDS TO HAVE FULL FUNDING FOR THE PROJECT AVAILABLE BEFORE IT CAN ENTER INTO A CONTRACT. THE FSM FINANCIAL MANAGEMENT ACT PROHIBITS OUR GOVERNMENT FROM ENTERING INTO A CONTRACT WITHOUT HAVING FUNDING AVAILABLE. IT WOULD NOT BE FINANCIALLY PRUDENT FOR OUR GOVERNMENT TO DO OTHERWISE.

THIS IS NOT A MATTER ON WHICH FURTHER DELAY IS WARRANTED. THE UNITED STATES COMMITMENT IS CLEAR AND DELAY WILL ONLY CAUSE THE FINAL COST TO INCREASE DRAMATICALLY AND NEEDLESSLY. THE FEDERATED STATES OF MICRONESIA HAS ACTED RESPONSIBLY AND IN GOOD FAITH IN RELIANCE ON REPEATED ASSURANCES FROM THE UNITED STATES THAT FUNDING FOR THE CAPITAL WOULD BE PROVIDED IN A TIMELY MANNER. HAVING REJECTED BIDS ONCE, THIS GOVERNMENT DOES NOT WISH TO LOSE CREDIBILITY BY LOSING ITS PRESENT BIDS DUE TO A LACK OF FUNDING. THIS WOULD BE EXTREMELY UNDESIRABLE. WE ARE A NATION TRYING TO ESTABLISH A REPUTATION FOR COMPETENCE AND INTEGRITY AND DO NOT WISH TO BE LABELLED IRRESPONSIBLE.

THE TIME HAS COME TO FULFILL THIS LONG-STANDING AND LONG OVERDUE COMMITMENT OF THE UNITED STATES.

COLLEGE OF MICRONESIA

FOR YEARS HIGH SCHOOL GRADUATES HAVE BEEN LEAVING OUR ISLANDS TO CONTINUE THEIR EDUCATIONS IN GUAM, HAWAII, THE U.S. MAINLAND AND VARIOUS FOREIGN COUNTRIES. WE ARE PROUD OF THOSE WHO HAVE EARNED THEIR DEGREES, WHILE AT THE SAME TIME CONCERNED BY THE NUMBER WHO RETURN EMPTY HANDED. ALL TOO OFTEN THOSE WHO LEAVE THEIR ISLANDS ARE NOT ACADEMICALLY OR EMOTIONALLY PREPARED TO WITHSTAND THE DIFFERENCES THEY EXPERIENCE. WE WOULD LIKE TO SEE MANY MORE OF THOSE WHO LEAVE MAKE THE NECESSARY ADJUSTMENTS SUCCESSFULLY. THE COMMUNITY COLLEGE OF MICRONESIA CAN PROVIDE THAT ALL IMPORTANT INTERIM EXPERIENCE FOR THOSE NOT ADEQUATELY PREPARED IMMEDIATELY AFTER HIGH SCHOOL.

THE COLLEGE OF MICRONESIA CAN NEITHER SUPPLANT NOR BE SUPPLANTED BY OUTSIDE EDUCATIONAL INSTITUTIONS. MOST MICRONESIAN FAMILIES LIVE ON LIMITED FINANCIAL RESOURCES AND CAN NOT REALISTICALLY CONSIDER OFF-ISLAND EDUCATION FOR EVEN THEIR MOST PROMISING

CHILDREN. THE GOVERNMENTS, IN TURN, DO NOT HAVE RESOURCES TO PROVIDE THE SCHOLARSHIP, TRANSPORTATION, AND LIVING EXPENSE ASSISTANCE NECESSARY. THE EXISTENCE OF CCM, HOWEVER, ENABLES EVEN THOSE WITH EXTREMELY LIMITED FINANCIAL RESOURCES THE OPPORTUNITY TO GAIN THE PERSONAL AND PROFESSIONAL DEVELOPMENT THAT IS FUNDAMENTAL TO IMPROVING THE QUALITY OF ONE'S LIFE. FOR MANY YEARS THE COLLEGE HAS ALSO BEEN THE PRIMARY SOURCE OF TEACHERS FOR OUR NATION'S ELEMENTARY AND SECONDARY SCHOOLS. IT HAS LIKEWISE SERVED AS THE TRAINING GROUND FOR MANY OTHERS WHO HAVE ENTERED NEEDED OCCUPATIONS. ITS ROLE IN THIS REGARD WILL BE EXPANDED SIGNIFICANTLY IN THE FUTURE, AS THE COLLEGE BEGINS TO FOCUS MORE INTENTLY ON VOCATIONAL AND OTHER DEVELOPMENT-RELATED OCCUPATIONAL SKILLS.

THIS PROBLEM HAS BEEN RECOGNIZED BY THE ACCREDITING COMMISSION FOR COMMUNITY AND JUNIOR COLLEGES, THE WESTERN ASSOCIATION OF SCHOOLS AND COLLEGES. THE W.A.S.C., IN VIEW OF THE IMPORTANCE OF CCM, HAS BEEN WILLING TO CONTINUE ITS ACCREDITATION, NOTWITHSTANDING THE FACT THAT THE PHYSICAL FACILITIES PROBABLY DO NOT MEET MINIMUM ACCREDITATION STANDARDS.

THIS PROBLEM WAS ALSO RECOGNZIED BY THE U.S. CONGRESS WHEN IT AUTHORIZED APPROPRIATIONS FOR A NEW CAMPUS IN 1975. YET, TO DATE, NO APPROPRIATIONS HAVE BEEN FORTHCOMING AND THE CCM PHYSICAL PLANT CONTINUES TO DETERIORATE.

WE MUST ONCE AGAIN REQUEST THE U.S. CONGRESS TO APPROPRIATE $12 MILLION FOR THE COMMUNITY COLLEGE OF MICRONESIA. WE ALSO SUPPORT APPROPRIATIONS FOR THE RELOCATION OF THE CCM NURSING SCHOOL FROM SAIPAN TO THE REPUBLIC OF THE MARSHALL ISLANDS ($3.3 MILLION) AND FOR PHYSICAL IMPROVEMENTS TO THE MICRONESIAN OCCUPATIONAL COLLEGE IN THE REPUBLIC OF PALAU ($1.3 MILLION). THE PRESENT BUILDINGS AND FACILITIES AT CCM ARE RELICS FROM THE

PAST THAT ARE COSTLY TO MAINTAIN AND REPAIR. THE PRESENT SITE CAN NO LONGER BE EXPANDED TO MEET THE GROWTH NEEDS OF THE COLLEGE AND EACH SEMESTER ONLY A FRACTION OF THOSE WHO APPLY CAN BE ACCEPTED BECAUSE OF THIS CONSTRAINT.

IN A MOVE TO REDUCE COSTS, THE FSM HAS DECIDED TO INTEGRATE THE CONSTRUCTION OF THE NEW COMMUNITY COLLEGE OF MICRONESIA WITH THE BUILDING OF THE NATIONAL CAPITAL FACILITIES IN PALIKIR. AS IN THE CASE OF THE CAPITOL COMPLEX, LAND HAS BEEN PROVIDED BY THE PEOPLE OF POHNPEI FOR THE COLLEGE AND THE DESIGN WORK HAS BEEN COMPLETED.

THE FSM GOVERNMENT WILL SIMPLY NOT HAVE THE FINANCIAL RESOURCES TO BUILD A NEW CCM CAMPUS, WITHOUT DIVERTING COMPACT FUNDS FROM OTHER ESSENTIAL CIP AND DEVELOPMENT PROJECTS. THE U.S. SHOULD NOT ALLOW THIS LEGACY OF ITS UNFULFILLED OBLIGATION FOR EDUCATIONAL DEVELOPMENT UNDER THE TRUSTEESHIP AGREEMENT TO CONTINUE.

IN ADDITION TO THE CAPITAL FUNDING NEEDS OF THE COLLEGE OF MICRONESIA SYSTEM, THERE IS A NEED TO ASSURE CONTINUED OPERATIONAL SUPPORT FOR THE SYSTEM. THE PROJECTED OPERATIONAL BUDGET NEEDS OF THE COLLEGE ARE CURRENTLY IN EXCESS OF $4.0 MILLION, AND MUST INCREASE IF THE COLLEGE IS TO PERFORM ITS CRITICAL FUNCTION. IN THE PAST, THE COLLEGE HAS RELIED PRIMARILY ON A COMBINATION OF DIRECT DOI OPERATIONAL GRANTS AND RECEIPTS FROM PELL GRANT, SEOG, AND COLLEGE WORK-STUDY PROGRAM AWARDS TO MEET ITS OPERATIONAL BUDGET NEEDS. THE COMPACT OF FREE ASSOCIATION DOES NOT CONTAIN OPERATIONAL GRANT ASSISTANCE FOR THE COLLEGE, ONLY PROVIDES FOR A TRANSITIONAL PHASE OUT OF U.S. SCHOLARSHIP ASSISTANCE AND MINIMAL REPLACEMENT GRANTS FOR SCHOLARSHIPS. THE GOVERNMENTS OF THE FSM, PALAU AND THE MARSHALL ISLANDS HAVE AGREED TO CONTINUE OPERATION OF THE COLLEGE OF MICRONESIA SYSTEM ON A UNIFIED BASIS. WHILE IT CAN BE EXPECTED THAT OUR GOVERNMENT AND THE GOVERNMENTS

OF PALAU AND THE MARSHALL ISLANDS WILL PROVIDE OPERATIONAL SUPPORT TO THE COLLEGE IN THE FUTURE, FINAL ARRANGEMENTS ON THIS COST SHARING HAVE NOT BEEN RESOLVED. ALSO, OUR PRELIMINARY ASSESSMENT OF COMPACT PERIOD REVENUES, INCLUDING LOCAL REVENUES, INDICATES THAT FUNDING OF THE COLLEGE AT ITS PRESENT LEVEL WILL BE EXTREMELY DIFFICULT UNLESS SHARP, ACROSS-THE-BOARD REDUCTIONS IN EXISTING GOVERNMENT ACTIVITIES ARE CONTEMPLATED.

LAST YEAR, DURING THE CONGRESS' CONSIDERATION OF THE COMPACT OF FREE ASSOCIATION, WE ASKED THAT OUR YOUNG PEOPLE'S ELIGIBILITY FOR PELL, SEOG, AND COLLEGE WORK-STUDY GRANTS BE CONTINUED. WE WOULD LIKE TO REITERATE THAT REQUEST. WITH CONTINUED ELIGIBILITY FOR THESE POST-SECONDARY EDUCATION PROGRAMS, WE CAN PROBABLY KEEP THE COLLEGE'S DOORS OPEN AS WELL AS PROVIDE FOR THE SPECIALIZED TECHNICAL AND PROFESSIONAL EDUCATION AND TRAINING NEEDS AT OUTSIDE INSTITUTIONS. WITHOUT THIS SUPPORT, THE FEDERATED STATES OF MICRONESIA MAY NEVER BE ABLE TO MEET ITS CRITICAL MANPOWER TRAINING NEEDS.

WAR CLAIMS

THE FINAL ISSUE I WISH TO RAISE CONCERNS THE RESOLUTION OF OUTSTANDING MICRONESIAN WAR CLAIMS.

WE HAVE BEEN ASSURED BY THE U.S. GOVERNMENT THAT IMPLEMENTATION OF THE COMPACT OF FREE ASSOCIATION WILL NOT AFFECT THE RIGHT OF OUR CITIZENS TO REDRESS OF THEIR WAR CLAIMS. YET IT HAS BEEN MANY YEARS SINCE THE MICRONESIAN CLAIMS COMMISSION FINISHED ITS WORK, AND SOME $24 MILLION OF THE FINAL AMOUNTS AWARDED BY THE COMMISSION THROUGHOUT THE TRUST TERRITORY STILL REMAINS UNPAID. THE APPARENT ROAD BLOCK IS A CERTIFICATION REQUIRED FROM THE SECRETARY OF THE INTERIOR UNDER U.S. PUBLIC LAW 94-134 AS TO JAPANESE GOVERNMENT CONTRIBUTIONS TO MICRONESIA. EACH DAY THAT THE IMPASSE CONTINUES ENGENDERS STRONGER FEELINGS OF MISTRUST AND BETRAYAL AMONG OUR CITIZENS, DIRECTED TOWARDS THE

UNITED STATES, JAPAN, THE COMPACT OF FREE ASSOCIATION, AND EVEN CURRENT GOVERNMENT LEADERS IN MICRONESIA. THE WAR CLAIMS ISSUE IS CREATING POLITICAL TURMOIL WHICH SERIOUSLY AFFECTS OUR EFFORTS TO BUILD A NATION AND ACHIEVE UNITY, AND IS NOT IN THE BEST INTERESTS OF EITHER THE FEDERATED STATES OF MICRONESIA OR THE UNITED STATES. OUR PEOPLE HAVE A RIGHT TO REDRESS OF THEIR WAR CLAIMS AND WE MUST REQUEST ON THEIR BEHALF THAT THIS ISSUE BE RESOLVED SWIFTLY, EITHER THROUGH THE PROCEDURE OUTLINED IN PUBLIC LAW 95-134 OR SOME OTHER MEANS.

IN CONCLUSION, MR. CHAIRMAN, I WOULD LIKE TO RESTATE MY CENTRAL THEME. THE FEDERATED STATES OF MICRONESIA REGARDS THE COMPACT OF FREE ASSOCIATION TO CONSIST OF ALL PARTS OF P.L. 99-239 AND THE RELATED AGREEMENTS. WE ALSO REGARD OUR FINAL ARRANGEMENTS WITH THE UNITED STATES, INCLUDING CONGRESSIONAL ACTIONS, AS EXPRESSING COMMITMENTS OF THE U.S. GOVERNMENT AS A WHOLE. BY ITS ACTIONS IN THE BUDGET, AND BY NOT SUPPORTING SIGNIFICANT FUNDING PROVISIONS ESTABLISHED BY CONGRESS, THE U.S. ADMINISTRATION HAS DEMONSTRATED A DIFFERENT, LESS ENCOMPASSING UNDERSTANDING. WE ARE CONFIDENT THAT THIS CONGRESS, IN RESPECT TO THE COMMITMENTS IT HAS MADE, WILL HAVE THE UNITED STATES LIVE UP TO THE AGREEMENT BETWEEN OUR TWO COUNTRIES. WE RECOGNIZE THE DIFFICULTIES IMPOSED BY THE CURRENT BUDGET DEFICIT SITUATION, BUT WHEN WE READ ACCOUNTS OF HOW THE DEFENSE DEPARTMENT, WHICH BELIEVES SO STRONGLY IN THE IMPORTANCE OF MICRONESIA TO THE UNITED STATES, HAS FOUND ENOUGH MISPLACED FUNDS TO FINANCE THE ENTIRE COMPACT, WE FIND IT DIFFICULT TO BELIEVE THAT THE UNITED STATES CANNOT AFFORD TO LIVE UP TO ITS PROMISES TO US.

STATEMENT OF PETER CHRISTIAN

I AM PETER CHRISTIAN, CHAIRMAN OF THE WAYS AND MEANS COMMITTEE OF THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA.

I DON'T DOUBT, MR. CHAIRMAN, THAT YOU ARE USED TO SEEING A MEMBER OF OUR CONGRESS ADDRESSING YOUR COMMITTEE IN TANDEM WITH OUR EXECUTIVE BRANCH REPRESENTATIVE. WE HAVE USED THIS APPROACH IN THE PAST BOTH TO SUPPORT THE VIEWS OF OUR EXECUTIVE BRANCH AND TO HIGHLIGHT SPECIFIC CONCERNS OF THE CONGRESS. WHILE I OBVIOUSLY SUPPORT THE STATEMENTS MADE TODAY BY OUR VICE PRESIDENT, I SHALL NOT HIGHLIGHT ANY SPECIFIC REQUESTS FOR APPROPRIATION ON BEHALF OF THE FSM CONGRESS. I WISH INSTEAD TO HIGHLIGHT AN OVER-RIDING BUDGET CONCERN I BELIEVE IS SHARED NOT ONLY BY MY CONGRESS COLLEAGUES, BUT BY ALL MEMBERS OF THE ELECTED LEGISLATURES OF THE FOUR STATES OF THE FSM.

WHAT YOU HAVE BEFORE YOU TODAY, MR. CHAIRMAN, ARE THE FIRST BUDGETS CONSIDERED UNDER THE COMPACT OF FREE ASSOCIATION. AFTER THE LENGTHY HISTORY OF THE COMPACT, IT'S A RELIEF THAT WE'VE MADE IT THIS FAR. THE COMPACT TOOK A LONG TIME TO NEGOTIATE, AND IT HAS TAKEN A LONG TIME TO GET US HERE ON THE VERGE OF IMPLEMENTATION.

AS WE AWAIT IMPLEMENTATION, MR. CHAIRMAN, I HAVE BEEN SURPRISED TO LEARN THAT THE EXECUTIVE BRANCH OF THE UNITED STATES GOVERNMENT SEEMS TO HAVE A SIGNIFICANTLY DIFFERENT INTERPRETATION OF THE COMPACT THAN DO THE ELECTED REPRESENTATIVES OF THE PEOPLE OF THE FSM. THE U.S. EXECUTIVE BRANCH SEEMS TO HAVE SOMEHOW MISSED THAT DURING THE LENGTHY REVIEW OF THE COMPACT BY THE U.S. CONGRESS, SIGNIFICANT CHANGES WERE MADE TO THE ORIGINAL AGREEMENT. THESE CHANGES AFFECTED THE RESPONSIBILITIES OF BOTH SIDES AND TRADED OFF ADVANTAGES OF THE OLD DOCUMENT FOR NEW ONES. IT WAS NOT NECESSARILY PAINLESS ON OUR PART TO WATCH THIS PROCESS. HOWEVER, AS YOU KNOW, THE CHANGES TO THE COMPACT THAT EMERGED WERE ACCEPTABLE TO US AND WERE APPROVED BY RESOLUTION BY ALL FIVE FSM LEGISLATURES.

WHAT WE APPROVED MR. CHAIRMAN, WAS THE COMPACT AS A WHOLE, TAKING INTO CONSIDERATION ALL OF THE VARIOUS SECTIONS OF P.L. 99-239. WE, AND THROUGH US OUR PEOPLE, EXPECT THAT THE UNITED STATES VIEWS IT THE SAME WAY, AND WE INTEND THAT ALL THE PROVISIONS OF P.L. 99-239 ARE IMPLEMENTED.

BUT AS WE HAVE SEEN, THE U.S. ADMINISTRATION DOES NOT VIEW ALL THE PROVISIONS AS OPERATIVE. THEY HAVE TOLD US THAT MANY of the things added to the Compact are optional, and they have discussed the shadings of "authorizations" and "entitlements". They have also told us flatly that the Compact has enough money without the added programs.

I appreciate the budget problems of the United States, and I do not envy any member of Congress his role in reducing the government's deficit. As a legislator, I fully identify with these political difficulties. But as a legislator I am also aware that I am bound by the commitments made in treaties and governemnt agreements.

It is the mutual goal of the FSM and the United States that the Trusteeship be terminated al an early date. It would be unfortunate if confusion over Compact commitments made our discussions at the United Nations more difficult.

The United States Government has made numerious commitments that are visible in Public Law 99-239. I urge this honorable body to see to it that your Executive Branch recognizes them for what they are, and that full funding of each authorization is made during the upcoming fiscal year.

Thank you very much for your time today.

ADDITIONAL COMPACT AUTHORIZATIONS

Mr. OLTER. Before I begin, I would like to introduce our counsel who worked with us over the time we negotiated the compact, Jim Stovall.

Behind me, I have the budget officer for the FSM, Del Pangalinen, and our liaison representative here in Washington.

In summary, Mr. Chairman, the FSM believes this budget presentation is especially critical as we enter the compact of free association.

We are requesting the appropriation of all entitlements and authorizations included in Public Law 99–239. And we are again raising the continuing transition issues and other issues as they relate to the fiscal year 1986 supplemental request.

Mr. Chairman, it is quite clear that the U.S. administration does not support the compact of free association in the form in which it emerged as Public Law 99–239. Its actions in presenting the fiscal year 1986 supplemental and fiscal year 1987 budget show that it does not respect the changes made to the compact by the Congress.

Extremely important features of the compact that were added to the original document and accepted by both the Congress and the FSM, are consciously absent from the administration's funding request.

The FSM Government is firmly convinced that absence of the appropriations of funds for all compact authorizations and entitlements will damage the ability of the FSM to provide needed services and programs.

Without question, the understanding of its people concerning free association will be eroded.

The administration has consciously refused to request the appropriation of the following items, included in Public Law 99–239.

One, in both the fiscal year 1986 and fiscal year 1987 requests, the administration ignored section 105(i)(2), which provides that requested Federal programs relating to financial assistance for education as of January 1, 1985, in the FSM and the Marshalls, should continue for a transition period.

The administration should have followed the intent of the provision by requesting the appropriation of $13 million in fiscal year 1986, and $8.7 million in fiscal year 1987 for the Freely Associated States.

This is one of the most grievous of the administration's omissions.

Two, the administration has disregarded section 105(o), which authorizes such sums as may be necessary for establishing continuing programs for the control and prevention of communicable diseases.

Three, the administration also fails to address section 105(d), which makes available such sums as are necessary for the payment of debts for medical services incurred by the citizens of the Federated States of Micronesia.

Four, the actions of the administration have raised serious doubts that it supports section 105(l) and the technical assistance provisions. Technical assistance is not limited to provision of expertise. But it does include grants of funds. We wish to ensure that this option remains available.

Five, the administration ignores section 105(n) regarding indefinite land use payments. These funds should be appropriated before the end of the trusteeship.

Six, the administration also ignores section 105(m), which provides for the continuation of the prior service benefits program. Funding must be provided in the fiscal year 1987 budget for the program's expenses.

The FSM's agreement to the revised compact—and I must stress this—was given in reliance on all of the provisions of Public Law 99–239. We expect that each and every one of these provisions will be honored.

We believe the administration is placing the U.S. Government in the position of not living up to its part of the arrangement.

Mr. Chairman, the administration intends to use the fiscal year 1986 supplemental to implement the financial provisions of the compact retroactively to the beginning of the current fiscal year. We concur with that approach.

OFFSETS TO COMPACT SUPPLEMENTAL

There are, however, some aspects of the administration's request with which we do not agree. The administration is requesting that Congress reappropriate the amounts of this year's Department of the Interior appropriations as an offset against the first-year compact total.

Four elements of the offsets are unacceptable to the FSM. These are the amounts for prior service benefits, College of Micronesia operations, satellite communications, and capital improvements.

FEDERAL PROGRAMS FUNDING GAP

We also request that the Congress assist us in addressing the problems created by U.S. Public Law 99–178. This law has prematurely cut off vital social services in health, education, and labor within the FSM.

We now are facing a gap in funding that will shut down programs and lay off employees. We do not believe the disruptive provisions of Public Law 99–178 reflects the intention of the Congress and urge you to support rapid resolution of the problem.

CAPITOL RELOCATIONS

I would now like to turn back to the three trusteeship obligation matters not resolved in Public Law 99–239. This committee is quite familiar with these longstanding concerns, but I will raise them again in an effort to impress upon the committee the urgency with which the FSM views these matters.

The FSM Government urgently requests that full funding for construction of the national capitol facilities be included in the fiscal year 1986 supplemental. Without appropriations of the additional $9.4 million promised, this long-delayed project will be further delayed and the cost of the project will continue to increase significantly.

The construction of permanent national capitol facilities for the Federated States of Micronesia, is a firm and longstanding commitment of the United States Government, which has been expressed repeatedly. The national capitol project has been a high priority for our government for a number of years.

The existing temporary capitol facilities are simply inadequate and an embarrassment to our government and our people. The time has come to fill this longstanding and overdue commitment of the United States.

COLLEGE OF MICRONESIA

There continues to be a need also, for a new campus for the Community College of Micronesia, which was recognized by the United States Congress when it authorized appropriations in 1975. Yet today no appropriations have been forthcoming, and the community college physical plant continues to deteriorate.

We once again request the United States Congress to appropriate approximately $12 million for the Community College of Micronesia.

We also support appropriations for the relocation of the College of Micronesia Nursing School from Saipan to the Republic of the Marshall Islands and for physical improvements to the Micronesian Occupational College in the Republic of Palau.

In addition to the capital funding needs of the College of Micronesia system, there is a need to assure continued operational support for the system. The projected provisional budget needs for the college are currently in excess of $4 million and we must increase the budget if the college is to perform its critical function.

In the past, the college has relied primarily on a combination of grants and receipts to meet operational needs. Unfortunately, the various provisions of the compact of free association do not contain adequate financial support for the needs of the college.

Last year, during the Congress' consideration of the compact of free association, we asked that our young people's eligibility for Pell, SEOG, and college work/study grants be continued. We would like to reiterate that request. With continued eligibility for these postsecondary education programs we can probably keep the college doors open as well as provide specialized technical and professional education and training needs.

Without this support the Federated States of Micronesia may never be able to meet its critical manpower training needs.

MICRONESIAN WAR CLAIMS

The final issue I wish to raise concerns the resolution of outstanding Micronesian war claims.

It has been many years since the Micronesian Claims Commission finished its work, and yet some $24 million of the final amounts awarded by the commission throughout the trust territory still remains unpaid. Each day that the war claims issue remains unresolved engenders strong feelings of mistrust and betrayal among our citizens directed toward the United States, toward Japan, toward the compact of free association, and even current government leaders in Micronesia.

Our people have a right to redress of their war claims, and we must request on their behalf, that this issue be resolved swiftly.

In conclusion, Mr. Chairman, I would like to restate my central theme: The Federated States of Micronesia regards the compact of free association to consist of all parts of Public Law 99–239, and the related agreements.

We also regard our final arrangements with the United States, including congressional actions, as expressing commitments of the U.S. Government as a whole.

Despite the present attitude of the U.S. administration, we are confident that this Congress will ensure that the United States lives up to the full agreement between our two countries.

That concludes my summary statement. Thank you very much.

Senator JOHNSTON. Thank you very much, Mr. Vice President.

As I stated to the other witnesses, we are very short on money this year with Gramm-Rudman; however, we will certainly do the very best we can.

We want to congratulate you on the job you are doing there in the Federated States.

Thank you very much for coming.

REPUBLIC OF PALAU

STATEMENT OF FRANZ REKSID, MINISTER OF ADMINISTRATION

ACCOMPANIED BY HARUO WILLTER, SPECIAL ASSISTANT TO THE PRESIDENT

PREPARED STATEMENT

Senator JOHNSTON. Next, I would like to welcome from the Republic of Palau, Mr. Franz Reksid, the Minister of Administration.

Mr. Reksid, thank you.

Your statement will be inserted in the record at this point and then you may proceed.

[The statement follows:]

STATEMENT OF FRANZ REKSID

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE, I AM PLEASED TO HAVE THIS OPPORTUNITY TO APPEAR BEFORE THIS COMMITTEE TO ONCE AGAIN REVIEW THE FINANCIAL REQUIREMENTS OF THE REPUBLIC OF PALAU FOR FISCAL YEAR 1987 BUDGET, AND TO DISCUSS OUR REQUEST FOR FISCAL YEAR 1986 EMERGENCY SUPPLEMENTAL FOR PALAU BASED ON COMPACT FUNDING LEVEL. I AM HONORED TO BE HERE SINCE THIS IS MY FIRST TIME TO APPEAR BEFORE THIS COMMITTEE.

WITH YOUR PERMISSION, I WOULD LIKE TO SUBMIT FOR THE RECORD THE NAMES OF THE PALAU DELEGATION TO THESE CONGRESSIONAL HEARINGS.

MR. CHAIRMAN, I WOULD LIKE TO BEGIN BY THANKING THE UNITED STATES CONGRESS, ESPECIALLY THIS COMMITTEE, FOR ITS GENEROSITY AND SUPPORT OF THOSE APPROPRIATION REQUESTS WHICH WE MADE TO THIS CONGRESS IN PRIOR YEARS. MOST RECENTLY, THE FUNDS MADE AVAILABLE IN FISCAL YEAR 1986 FOR THE POWER PLANT EMERGENCY GENERATOR AND THE FIRST INCREMENT OF THE NEW PALAU NATIONAL HOSPITAL.

FISCAL YEAR 1986 EMERGENCY SUPPLEMENTAL

MR. CHAIRMAN, IN REVIEWING THE BUDGET REQUEST SUBMITTED BY THE ASSISTANT SECRETARY OF THE INTERIOR FOR TERRITORIAL AND INTERNATIONAL AFFAIRS WHICH IS NOW BEFORE THIS COMMITTEE, WE FIND THAT THE REPUBLIC OF PALAU WAS NOT INCLUDED IN THE DEPARTMENT'S EMERGENCY SUPPLEMENTAL REQUEST FOR FISCAL YEAR 1986 BUDGETS UNDER THE COMPACT OF FREE ASSOCIATION. WE UNDERSTAND THAT THIS WAS DONE BECAUSE AT THE TIME OF BUDGET PREPARATION, THERE WAS NO LEGISLATION BY THIS CONGRESS APPROVING THE COMPACT OF FREE ASSOCIATION FOR THE REPUBLIC OF PALAU. HOWEVER, MR. CHAIRMAN, SERIES OF EVENTS LEADING TO THE APPROVAL OF THE COMPACT FOR THE REPUBLIC OF PALAU HAVE TAKEN PLACE DURING RECENT MONTHS.

THE SUBCOMMITTEE, I AM SURE, IS WELL AWARE THAT THE

REPUBLIC OF PALAU HAS COMPLETED ITS APPROVAL PROCESS OF THE COMPACT AND THAT PRESIDENT SALII HAS TRANSMITTED IT TO THE UNITED STATES AND THAT PRESIDENT REAGAN HAS SUBMITTED THE DOCUMENT TO THIS CONGRESS FOR ITS REVIEW AND CONSIDERATION. APPROPRIATE COMMITTEES OF THE U.S. CONGRESS ARE CURRENTLY CONDUCTING PUBLIC HEARINGS ON THE COMPACT DOCUMENT AND WE HOPE THAT IT WILL BE APPROVED AND IMPLEMENTED WITHIN THE CURRENT FISCAL YEAR. WE ARE PREPARED TO JOIN OUR FRIENDS FROM THE RMI, FSM AND CNMI TO THE U.N. THIS MONTH TO SEEK TERMINATION OF THE TRUSTEESHIP AGREEMENT. WE, THEREFORE, ARE REQUESTING A FISCAL YEAR 1986 SUPPLEMENTAL FUNDINGS FOR IMPLEMENTATION OF THE COMPACT RETROACTIVELY TO OCTOBER 1, 1985, FOR THE REPUBLIC OF PALAU LIKE OUR FRIENDS FROM THE RMI AND FSM.

FISCAL YEAR 1987 OPERATIONS BUDGET REQUEST

IN ANTICIPATION OF THE APPROVAL AND IMPLEMENTATION OF THE COMPACT IN FISCAL YEAR 1986, WE ARE PROPOSING THAT FUNDS FOR THE SECOND YEAR OF THE COMPACT BE APPROPRIATED FOR THE REPUBLIC OF PALAU LIKE RMI AND FSM INSTEAD OF THE $10.6 MILLION PROPOSED BY THE DEPARTMENT.

FISCAL YEAR 1987 CIP BUDGET REQUEST

IN ADDITION TO THE COMPACT FUNDS, WE ARE REQUESTING THAT FUNDS BE APPROPRIATED FOR THE TWO REMAINING CAPITAL IMPROVEMENT PROJECTS WHICH WERE PROMISED BY THIS CONGRESS TO THE REPUBLIC OF PALAU BUT HAVE NOT BEEN COMPLETED. I AM REFERRING TO THE SECOND INCREMENT FUNDING FOR THE NEW PALAU HOSPITAL AND THE REMAINING BALANCE FOR THE CAPITAL RELOCATION. REGARDING THE NEW HOSPITAL, I WOULD LIKE TO POINT OUT THAT THE $10 MILLION TOTAL COST ORIGINALLY AUTHORIZED BY THIS CONGRESS LAST YEAR HAS NOW BEEN REDUCED TO $9.7 MILLION, AND WE UNDERSTAND THAT FURTHER REDUCTION MAY BE MADE IN FISCAL YEAR 1987 AS A RESULT OF THE GRAMM-RUDMAN-HOLLINGS ACT. LET ME POINT OUT, MR. CHAIRMAN, THAT THIS HOSPITAL WAS ORIGINALLY

SCOPED AND ESTIMATED TO COST BETWEEN $16 AND $18 MILLION. LATER, IT WAS SCALED DOWN TO $14 MILLION ($10 MILLION FOR THE CONSTRUCTION OF THE BUILDING AND $4 MILLION FOR EQUIPMENTS) WHICH, ACCORDING TO EXPERTS, IS THE MINIMUM AMOUNT NEEDED TO PROPERLY PROVIDE FOR AN ADEQUATE FACILITY. HOWEVER, LAST YEAR THE CONGRESS AUTHORIZED ONLY $10 MILLION OF WHICH $5 MILLION WAS APPROPRIATED IN FISCAL YEAR 1986 AND LATER REDUCED TO $4.7 MILLION FOR REASONS PREVIOUSLY STATED. WITH THE $10 MILLION AUTHORIZED WE DECIDED TO PROCEED WITH THE BUILDING AND SEEK FUNDING FOR EQUIPMENT FROM OTHER SOURCES. BUT IF THE $10 MILLION IS FURTHER REDUCED IN FISCAL YEAR 1987, WE WILL END UP WITH AN INADEQUATE BUILDING WITHOUT THE NEEDED EQUIPMENT TO RUN THE HOSPITAL. WE, THEREFORE, ASK THIS COMMITTEE TO SERIOUSLY RECONSIDER OUR REQUEST FOR ADDITIONAL FUNDS FOR A NEW HOSPITAL FOR PALAU BEFORE TERMINATION OF THE TRUSTEESHIP.

ON THE RELOCATION OF THE PERMANENT CAPITOL FOR THE REPUBLIC OF PALAU, I WOULD LIKE TO REPORT TO THE COMMITTEE THAT UNDER RPPL NO. 1-70, A COMMISSION HAS BEEN ESTABLISHED TO WORK ON THE SITE SELECTION, INCLUDING THE COST OF FACILITIES AND OTHER RELATED RELOCATION COSTS. BY LAW THIS STUDY MUST BE COMPLETED BY THE END OF THIS YEAR AT WHICH TIME WE WILL BE READY TO OBLIGATE THE REMAINING BALANCE OF THE CAPITAL RELOCATION FUNDS. WE, THEREFORE, REQUEST THAT THE FUNDS BE APPROPRIATED IN FISCAL YEAR 1987.

NATIONAL DEVELOPMENT PLAN

AN INTEGRAL PART OF THE COMPACT AGREEMENT IS A NATIONAL DEVELOPMENT PLAN THAT WILL TRANSLATE THE ECONOMIC PACKAGES INTO PROGRAMS BENEFICIAL TO THE PEOPLE OF PALAU. I AM PLEASED TO REPORT TO THE COMMITTEE THAT WE ARE NOW IN THE FINAL STAGE OF THE PREPARATION OF THAT PLAN, AND WE EXPECT TO COMPLETE SUCH PLAN WITHIN THE NEXT 120 DAYS. THE PLAN WILL FORM THE BASIS FOR OUR POLICIES REGARDING THE PROMOTION OF OUR ECONOMIC

AND SOCIAL ADVANCEMENT. AS SUCH, IT WILL IDENTIFY PROBLEMS HINDERING DEVELOPMENT AND WILL FORMULATE SPECIFIC STRATEGIES FOR OVERCOMING SUCH PROBLEMS. IT WILL PROVIDE THE GUIDELINES AND RATIONALE FOR THE PRUDENT ALLOCATION OF OUR LIMITED FINANCIAL RESOURCES. THE DOCUMENT WILL ALSO SERVE AS AN INSTRUMENT TO SECURE CONFIDENCE FROM FRIENDLY COUNTRIES AS WELL AS POTENTIAL PRIVATE FOREIGN INVESTORS FOR PARTICIPATION IN THE PROMOTION OF OUR LOCAL ECONOMIC DEVELOPMENT.

TRANSITION AND TECHNICAL ASSISTANCE

THE REPUBLIC OF PALAU IS CONCERNED ABOUT CERTAIN PROGRAMS WHICH WE FEEL ARE THE OBLIGATIONS OF THE UNITED STATES GOVERNMENT BASED UNDER EXISTING LAWS OR COMMITMENTS PREVIOUSLY MADE TO OUR PEOPLE BUT REMAIN UNFUNDED. I AM REFERRING TO THE OUTSTANDING MEDICAL REFERRAL BILLS, THE PRIOR YEAR SERVICE BENEFITS, AND THE OUTSTANDING WAR CLAIMS. WE ARE, THEREFORE, REQUESTING THAT SOME KIND OF TRANSITION FUNDS BE APPROPRIATED TO SETTLE THESE OBLIGATIONS SEPARATE FROM COMPACT FUNDS.

WE ARE ALSO REQUESTING THAT THE CURRENT TECHNICAL ASSISTANCE PROGRAMS BEING PROVIDED BY THE DEPARTMENT OF THE INTERIOR TO THE REPUBLIC OF PALAU BE CONTINUED UNTIL AN EFFICIENT PROGRAMS OPERATIONS UNDER THE COMPACT HAS BEEN DEVELOPED AND FULLY IMPLEMENTED.

GRAMM-RUDMAN-HOLLINGS ACT

FINALLY, MR. CHAIRMAN, I WOULD LIKE TO REPORT THAT THE NET EFFECT OF THE GRAMM-RUDMAN-HOLLINGS ACT ON THE FISCAL YEAR 1986 BUDGET FOR THE REPUBLIC OF PALAU WAS A DECREASE OF $500,000 FROM OPERATIONS ACCOUNT AND $300,000 FROM CIP ACCOUNTS. THESE REDUCTIONS HAVE SERIOUSLY AFFECTED OUR CASH FLOW TO THE POINT WHERE WE ARE NOW UNABLE TO MEET OUR REGULAR PAYROLL WITHOUT BORROWING MONEY FROM BANKS. WE, THEREFORE, URGE YOUR COMMITTEE TO APPROVE FUNDS FOR FISCAL YEAR 1986 BASED ON COMPACT FUNDING LEVEL FOR THE REPUBLIC OF PALAU. BY

DOING THIS, WE SHOULD BE ABLE TO MEET ALL OF OUR FINANCIAL OBLIGATIONS FOR THE REMAINDER OF FY 1986, INCLUDING THE HARDSHIPS IMPOSED BY GRAMM-RUDMAN-HOLLINGS ACT.

AGAIN, ON BEHALF OF THE PRESIDENT OF THE REPUBLIC OF PALAU AND THE PALAU DELEGATION PRESENT HERE TODAY, I WOULD LIKE TO THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOUR COMMITTEE AND REQUEST YOUR FAVORABLE CONSIDERATION ON OUR BUDGET REQUEST. WE ARE NOW READY TO ANSWER ANY QUESTIONS THE COMMITTEE MAY HAVE. THANK YOU.

PALAU COMPACT

Mr. REKSID. Good morning, Mr. Chairman, and thank you very much for giving us this opportunity to appear before your committee.

Before I proceed, I would like to express the regret of my president who was not able to appear before your committee this morning because of other important commitments with regard to the Republic of Palau compact.

Senator JOHNSTON. Tell the president we missed him, but he is very ably represented.

Mr. REKSID. Thank you very much, sir.

Also, before I proceed, I would like to introduce some of the members of the Palau delegation who are here this morning, and who were able to make the 9,000 plus miles of travel here.

With me in front is Mr. Haruo Willter, who is the special assistant to the president of the Republic of Palau. We also have members of the House of delegates from the national congress of Palau who are in the room with us this morning.

To proceed, Mr. Chairman, much has been said about what is plaguing the Micronesian Governments, and the same holds true with the Republic of Palau, as far as its financial needs are concerned.

We are very fortunate to appear before this committee to request the same type of assistance. I would like, because of time limitations, to summarize our presentation here this morning.

Palau is probably the last island of Micronesia that still has its compact document pending in this Congress. Of course, it is undergoing review, and we are very hopeful that this Congress would take expeditious and favorable action on the document so that our Republic can join the rest of Micronesia in the free assocation with the United States.

In connection with that, we have also noticed that the Department of the Interior in its emergency supplemental appropriation request, has submitted to the Congress requests for the Republic of the Marshalls and Federal States of Micronesia [FSM] under the compact funding for fiscal year 1986. Of course Palau was not included in such supplemental appropriation.

We do understand the reason that, because the Palau compact has not been approved by this Congress, it was not included in the request for an emergency supplemental appropriation. However, we hope that in the process of the approval of such compact for the Republic of Palau, we would like to request this Congress to consider inclusion of the Republic of Palau into such supplemental appropriation under the compact of free association for fiscal year 1986.

In terms of the fiscal year 1987 appropriation, in anticipation of the approval and implementation of the compact during fiscal year 1986, we are proposing that funds for the second year of the compact be appropriated for the Republic of Palau, similar to that of the Marshalls and FSM, instead of the usual $10.6 million under the Department of the Interior appropriations proposal.

PALAU CAPITAL IMPROVEMENTS

In terms of our capital improvement projects [CIP] funding, we are requesting funds to be appropriated for two remaining very essential capital improvement projects for the Republic. I am referring basically, to the new hospital proposed for the Republic of Palau and the relocation of the capital for the new Government of Palau.

With regards to the hospital, the original appropriation was for $10 million, but due to the Gramm-Rudman cut, it was reduced to $9.7 million.

The hospital that is being proposed for Palau, is a duplication of the existing hospital. It is no bigger or smaller than what we have now. We feel that the exact replacement of the existing hospital will serve the Palau population adequately and to reduce it will probably cause a little hardship in terms of future population increase and demands. We request that this committee give the Republic of Palau favorable consideration to replace the $300,000 that was reduced from the hospital.

In connection with the hospital design, it has been determined that the actual cost of the hospital would probably reach the amount of $15 million. The reason is that $10 million would go for the construction, and $4 million plus would be needed for equipment for the hospital.

However, if for reasons of budgetary restrictions, we could not be given the equipment funding, we believe that the construction of the hospital is very essential at this time and we would like to proceed in that direction.

NATIONAL DEVELOPMENT PLAN

We also would like to mention that the compact of free association with the United States calls for a national development plan. I would like to inform this committee that the President of the Republic of Palau has formed a committee to put the document together. Such a document is nearing completion and we expect that within another 4 months, the Republic of Palau will have a final draft for review by the executive branch, and, of course, this Congress.

CONTINUING FEDERAL PROGRAMS

The Republic of Palau is also concerned about certain programs which we believe are obligations of the United States Government under existing laws or commitments which were previously made, but remain unfunded.

Of course, these areas have been expressed by the other government entities of Micronesia. I am referring to the outstanding medical referral bills, the prior service benefits and, the outstanding war claims.

We are, therefore, requesting that some amount of transition funds be appropriated to settle these obligations, which should be separate from compact funding.

We are also requesting that current technical assistance programs which are being provided by the Department of the Interior to the Republic of Palau should continue until the compact of free assocation is effectively put in place.

GRAMM-RUDMAN REDUCTIONS

And last, and of course not the least, is our concern, which is sort of becoming the tune of everybody appearing in Congress during these budget hearings, regarding the Gramm-Rudman-Hollings Act, which has affected Palau tremendously.

Palau has probably the least budget appropriation of all the government entities in Micronesia. Even the small percentage reduction by the Gramm-Rudman Act has a great impact on the financial situation of the Republic of Palau. We would like to request this committee to give us some consideration to replenish our funds as much as possible.

CAPITOL RELOCATION

Now, concerning the capitol relocation, which is one of the major CIP projects still pending, I would like to report to this committee that the Republic of Palau National Congress did pass Public Law 1-70, which established a commission to do the site selection and costing of the required facilities for a new capitol for the Republic of Palau.

That law requires that a feasibility study be completed in a year's time. And we would like to request from this committee, the remaining funds for the Republic of Palau, so that we can complete our work with regards to our capitol relocation.

With that, Mr. Chairman, for the Palau delegation, and on behalf of the president of the Republic of Palau, we thank you for the opportunity to appear before your committee.

Senator JOHNSTON. Thank you very much, Mr. Reksid.

We are aware of the problems in Palau. Let me say that hearings have been set on the Palau legislation, and from my standpoint—and I know the chairman's—we will do everything we can to expedite that matter.

Of course, this is a difficult year in terms of just scheduling. The budget is on the floor now. We have all the appropriations bills left to do. We have the possibility of a tax bill left to do, and it is election year. And they usually like to get out in election year by October.

Nevertheless, within those time constraints, we will do everything we can to get that legislation reported to the floor and successfully passed.

I want to thank you and Mr. Willter and the entire delegation for coming here. We are very anxious for Palau to do well, and to continue to do well.

Thank you very much.

Mr. REKSID. Thank you, sir.

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REPUBLIC OF THE MARSHALL ISLANDS

STATEMENT OF OSCAR DeBRUM, CHIEF SECRETARY

PREPARED STATEMENT

Senator JOHNSTON. Finally, we have the Republic of the Marshall Islands represented by Oscar DeBrum, who is the Chief Secretary.

Please proceed, Mr. DeBrum.

Mr. DEBRUM. Thank you, Mr. Chairman.

Mr. Chairman, we bring you greetings from President Kabua and the people of the Marshall Islands, and we want to thank you for the opportunity once again to testify before you.

Your committee has been very helpful in the past both in the compact implementation and approval program, and for the funding requirement and needs of the Marshall Island people, for which we are very grateful.

We have given you a statement from the Marshall Islands for the record and for this hearing, Mr. Chairman. We respectfully request that it be made part of this hearing.

Senator JOHNSTON. It will be made part of the record.

Mr. DEBRUM. Thank you.

[The information follows:]

STATEMENT OF OSCAR DE BRUM

On behalf of President Kabua and the people of the Republic of the Marshall Islands, I wish to thank you for the opportunity to submit testimony on the fiscal year 1987 United States budget as it relates to the Republic of the Marshall Islands.

The United States Administration is requesting supplemental funding for fiscal year 1986 and funding for fiscal year 1987 to implement the first two years of the United States Compact Act, PL 99-239. I note, however, that the Administration's request does not include funding for certain items authorized in the United States Compact Act. With this important reservation, I would endorse the Administration's request.

On 18 February 1986, the Nitijela, the national legislature of the Marshall Islands, passed Resolution Number 62, which gave formal approval to the Compact Act. This resolution, which is attached to my testimony, states the policy of the Government of the Marshall Islands with respect to the Compact and the funding authorized and appropriated pursuant to the Compact.

Intoductory Remarks

Before I discuss the 1987 budget, I wish to convey to the Committee the gratitude of the people of the Marshall Islands for funds appropriated in the fiscal year 1986 budget for the Marshall Islands. In addition to the Administrtation's request, these appropriations included additional funds for the Jaluit Dock project, the Majuro Water Supply project, $1.7 million for the design of a base camp at Eneu Island in Bikini Atoll and continuation of the Enewetak support program.

Financial and Economic Status

Mr. Chairman, I would like to make a brief report on the financial and economic status of the Marshall Islands.

My government's financial status continues to improve. I am happy to report that our unaudited fiscal year 1985 financial statements showed an operational surplus; this was the second consecutive year in which a surplus has occurred. In addition, the trend toward revenue self-sufficiency has accelerated. In 1985, domestic revenues were $13.1 million, a 14.9 percent increase above 1984 revenues. Domestic revenues have increased from 43 percent of all operational revenues in fiscal year 1981 to over 53 percent in fiscal year 1985. 1985 domestic revenues were $1.7 million more than revenue from the United States Basic Grant.

Our new cash management system, developed through a technical assistance grant from the Department of the Interior, has yielded dividends in its first year of operation. Interest income has increased from zero to $163,000. We appreciate such technical assistance and would request that this committee continue to appropriate funds for this purpose. The technical assistance program has been the most effective utilization of United States dollars in the Pacific Basin.

Because of delays in the United States Compact approval process, my government has found it necessary to re-schedule its long-term debt. In December 1985, partial payments totalling $2.7 million were made to our creditors and re-scheduling agreements were concluded with each of them. These agreements called for resumption of previously scheduled debt service payments in April 1986. The four month delay, from December to April, has cost my government approximately $300,000 in additional interest expenses. Because the Compact is still not in effect, the interest expenses will become even greater.

Mr. Chairman, we understand the complexities of the United States Compact approval process and appreciate the fact that Congress exercised its perogative to carefully review agreements negotiated by the executive branch. In dealing with our long-term debt creditors, however, we have acted on the good faith representations of the United States Administration as to the date of Compact implementation. Time and again, we have been disappointed by the failure of the Administration to meet its timetables. As a result, we have had to engage in costly re-scheduling of our debt.

I am pleased to tell you that we are close to achieving a long range solution which will stabilize our debt service. My government is in the process of issuing $75 million in general obligation bonds. $50 million of the proceeds will be used to retire all existing long-term debt. The remainder will be used to establish long-term investment and reserve funds to finance future development projects.

Mr. Chairman, the bond project provides important benefits to the people of the Marshall Islands. In consolidating our long-term debt, the bond project will achieve a lower overall interest rate, will lengthen principal maturity, and will achieve a more stable and predictable debt service structure. At present, some of our long-term debt is denominated in currencies other than the United States dollar and has variable interest rates. This structure makes it difficult to forecast debt service requirements. By contrast, the bonds will be denominated in United States dollars at a fixed interest rate. Attached to my statement is a fact sheet which more fully explains the bond project.

The economic situation in the Marshall Islands is mixed. On the positive side, public and private sector capital investment remain strong. Projects funded through the Capital Improvement Projects Program are proceeding as planned. A report on the status of these projects is attached to my statement. President Kabua has declared 1986 to be Outer Island Development Year. Emphasis will be placed on capital investment which develops the natural resource potential of our outer islands.

On the negative side, because of lower prices on the world market, copra production and prices in the Marshall Islands have been depressed. In 1985, 4,302 tons of copra were produced, a decline of 28 percent in comparison to the average annual production from 1978 to 1984. The outer island price for copra is currently $120 per ton, a sharp decrease from the annual average of $199 per ton for the period 1981 to 1984.

In addition, two other economic development projects have met with disappointing results in 1985. Fuel sales by the Marshalls Energy Corporation have been much lower than anticipated. Implementation of a fisheries project funded through the Trade Development Program has been delayed.

Despite these setbacks, the economy of the Marshall Islands is growing rapidly and shows great promise for the future.

Health

Mr. Chairman, I would like to make a brief report on the status of efforts to improve health service programs in the Marshall Islands. The new Majuro hospital, constructed through a Congressional appropriation, will begin operation in a matter of days. My government has contracted with Mercy International Health Services to assist us in making the transition to the new facility. This group is currently on-site and is training our health services staff on hospital maintenance, nursing procedures, and the operation of new equipment. My government has greatly increased the operations and maintenance budgets for the new hospital in order to obtain full benefit from the hospital and to ensure its continued serviceability.

Our outer island dispensary program has been expanded. In fiscal year 1986, medical teams will visit each of the 69 dispensary sites at least three times, radio communications will be established to link the dispensaries with the Majuro hospital, all health assistants will receive intensive re-training, and each dispensary will be provided with a basic complement of equipment and pharmaceuticals. The program objectives for the current year are to achieve a 90 percent immunization rate for all children in the Marshall Islands, provide a physical examination to all infants within the first six months of life, and ensure that all pregnant women have at least one prenatal examination.

Mr. Chairman, I am aware of the difficulties which the United States has encountered in implementing the Four Atoll Health Care program for certain Marshallese affected by the Nuclear Testing Program. While I wish to assure you that we are ready to assist the United States to make this program fully operational, you should be aware that we intend to use the funds that are available under section 1 a) of article II of the Section 177 Agreement to provide medical services to Marshallese determined to have been affected by the nuclear testing program, regardless of their "home island".

Fiscal Year 1987 Budget

For fiscal year 1987, the Administration is requesting $10.6 million in permanent indefinite appropriations and program grant assistance for the Marshall Islands.

Mr. Chairman, when the Nitijela approved the Compact, it did so with the understanding that funding for the programs provided in the Compact would be appropriated and made available on a timely basis. As I noted above, the Administration's request does not include funding for certain items authorized in the United States Compact Act.

We are aware of the budget constraints which the United States is experiencing. The Government of the Marshall Islands has been in the same situation before and has had to adopt painful measures in order to balance its budget. With due recognition of the need for budget constraints, I believe that the Congress did not intend that the provisions of the Compact Act would be selectively applied. A selective approach to the implementation of the Compact might constitute a material breach of the agreement.

The Government of the Marshall Islands endorses the budget recommendations made by the House Interior and Insular Affairs Subcommittee on Public Lands with respect to the fiscal year 1987 Compact budget. In accordance with the recommendations of Chairman Seiberling's Subcommittee, we request that funding for the following items be added to the fiscal year 1987 budget in order to fully implement the Compact:

(1) medical referral debts; $7.0 million to be shared by the Republic of the Marshall Islands and the Federated States of Miconesia- Subsection 105(d);

(2) Federal grant programs in the area of education; $13.0 million to be shared by the Republic of the Marshall Islands and the Federated States of Micronesia- Subsection 105(i);

(3) Enjebi Community Trust Fund; $~~10.0~~ 7.5 million; - Subsection 103(k);

(4) Department of Energy Radiological Health Care Program for Rongelap and Utrik; $2.0 million - Subsection 103(h);

(5) USDA Agricultural and Food Programs for the peoples of Bikini and Enewetak; $1.8 million - Subsection 103(h);

(6) Bikini Atoll Clean-up; $8.0 million in start-up funds for the base camp on Eneu Island - Subsection 103(l);

(7) prior service benefits; $0.3 million - Subsection 105(m); and,

(8) Indefinite Land Use Payments; $2.0 million - Subsection 105(n).

In addition to the items authorized in PL 99-239, there are other items which we hold to be unfinished business of the Trusteeship. The items are:

(1) construction of a new capitol, $2.6 million;

(2) construction of the College of Micronesia Nursing School, $3.3 million; and,

(3) funding for development projects in Jaluit ($13.0 million), Enewetak ($1.5 million); and Kwajalein Atoll infastructure projects under the direction of the Kwajalein Atoll Development Authority, ($17.7 million).

I would like to furnish additional detail on some of these requests.

Medical Referral Liabilities Mr. Chairman, the Compact Act approved by Congress authorizes funds for medical referral debts incurred by the governments of the Republic of the Marshall Islands and the Federated States of Micronesia prior to 1 September 1985. The Administration has not requested funds to implement this provision of the Compact. I would like to draw this oversight to your attention and to explain my government's position with respect to this provision of the Compact Act.

We hold the following:

1. Subsection 105(d) should apply to all liabilities incurred prior to 1 September 1985, including those which have been paid; and,

2. funding should be appropriated for these liabilities in the fiscal year 1987 budget.

As part of my Government's deficit elimination program, we have undertaken the difficult task of paying long-outstanding medical referral debts, including the payment of $100,000 per month to Tripler Army Medical Center. Since July 1984, we have paid approximately $1.1 million to Tripler for prior year bills and have reduced our liabilities to the medical center from $2.6 million to $1.5 million. These payments have been made at the expense of other important programs, including health services programs. We ask that this dilgence on the part of the Marshall Islands be recognized and funds be appropriated for the full amount of $2.6 million that was owed to Tripler as of July 1984.

Extension of Federal Grant Programs. In recent years, the Marshall Islands has benefitted from thirty or more federal grant programs, both large and small. Federal funding has paid for nearly 100 percent of the primary health care services in our country. Over half the budget of our school system is funded by the Education Consolidation and Improvement Act. The Hot Lunch program feeds school children throughout the nation and special USDA food programs help feed the families who were relocated from Bikini and Enewetak for the bomb tests and the inhabitants of several islands that were devastated by typhoons. These have been the major federal grant programs. We have also had a variety of other, more modest federal programs--very much like the federal programs that operate in your own districts. A listing of the current programs is attached to my statement.

Mr. Chairman, it has been the understanding of my government that most of the federal programs would be phased out as the Compact began to be implemented. Some of the programs that will no longer receive direct assistance when the Compact goes into effect will continue to be funded by a combination of grant assistance from the United States and internally generated revenues; some will be funded by an annual block grant from the United States for education and health care. We recognize that some of the programs will be reduced in scope. Some will probably be discontinued altogether. However, with the continuation of the services and programs of the Public Health Service and the National Health Service Corps as provided in the Compact Act, we are hopeful that our programs for preventive health care will continue to improve.

Mr. Chairman, as you know, there has been a great deal of uncertainty with respect to the date when implementation of the Compact will begin. You will appreciate that this uncertainty has made it difficult for the agencies of my government to carry out an orderly transition from the present federal grant structure to the funding arrangements provided in the Compact. Quite simply, we did not know-- and still do not know-- when the Compact is to take effect. I note that this uncertainty exists not only with my government, but also in the United States Government. Some federal agencies have not been able to tell us when their programs in the Marshall Islands will run out of funds.

Several federal agencies have already forwarded their final allotments to the Marshall Islands. Among the largest programs to run out of funds have been the Area Agency on Aging, the Headstart program, and programs under the Job Training Partnership Act. These disruptions in programs have been allowed, even though funding for the Compact has yet to be appropriated and several agreements between our two countries relating to implementation of the Compact have yet to be concluded.

The premature and abrupt termination of federal grant programs is of great concern to my government. To facilitate the transition, we ask that the United States honor the provisions of Title I of the Compact Act relating to federal grant programs. The Act made assurances that the freely associated states would continue to participate in such programs as the Legal Services Corporation, Public Health Services, and the National Health Services Corps. The Compact Act assured us that certain technical assistance would be provided to the Government of the Marshall Islands. To offset the loss of tax and trade benefits originally negotiated, the Compact Act granted the Marshall Islands the programs and services of several federal agencies that will help us with manpower training and economic development. As I mentioned earlier, one of these compensatory programs--the Job Partnership Training Act, that has operated successfully in the Marshall Islands for the past three years -- may be disrupted during the transitional period.

The Compact Act also provides a three-year transitional period during which federal educational programs will be decreased and withdrawn. The transitional funds for education do not appear in the Administration's budget submission. I urge you in the strongest terms to reinstate educational assistance in the budget. Attached to my statement is a summary of the impact that the sudden loss of transitional funds would have on our schools. For the present fiscal year, federal educational grants pay for 65 percent of the educational services in the Marshall Islands. The transitional funding is absolutely necessary for our schools to operate without interruption of service.

Support for Populations Affected by Bomb Tests Mr. Chairman, there are four programs of funding assistance to the people of the radiation-affected islands which your government authorized in the Compact Act and yet are not included in the Administration's budget request. I shall speak of these programs one-by-one.

Enjebi Community Trust Fund. The island of Enjebi in the northern portion of Enewetak Atoll was the target of many of the nuclear tests in the 1940s and 1950s. This area of the atoll was not included in the clean-up of Enewetak in the late 1970s and, as a consequence, the villagers who were removed from Enjebi and their descendants have had to reside elsewhere, and presently live in the main village of Enewetak. The United States has committed itself of the clean-up and resettlement of Enjebi and the nearby islands. In accordance with the United States Compact

Act, we ask that your government monitor the radiation at Enjebi and establish a trust fund in the amount of $10.0 million to enable the people of Enjebi to re-establish their own village on its former site, if it is found to be safe, or elsewhere, if need be.

Radiological Programs--Utrik and Rongelap. As spelled out in the Compact Act, the United States would continue, at the request of my government, to provide special medical care and logistical support to the remaining 174 residents of Rongelap and Utrik atolls who were exposed to radioactive fallout that resulted from the 1954 "Bravo" test. We ask you to honor our request that the Department of Energy Radiological Health Care Program continue for the first eleven years of the Compact and, at this time, we request an appropriation of $2.0 million to provide these services for fiscal year 1987.

USDA Agricultural and Food Programs--Bikini and Enewetak. Under the United States Compact Act, the Government of the United States, for the first five years that the Compact is in effect, is to provide, at the request of my government, food support to the people of Bikini and Enewetak. For fiscal year 1987, we request that the amount of $1.8 million be appropriated for this purpose. This funding will enable the continuation of an ongoing agricultural planting and maintenance program on Enewetak and a continuation of food programs for the people of both atolls.

Bikini Atoll Clean-up. The United States has accepted responsibility for restoring Bikini Atoll to a safely habitable condition. My government requests that the amount of $8.0 million be appropriated in fiscal year 1987 so that a base camp can be established on Eneu Island, a habitable island within Bikini atoll, and that initial logistical support be given for the clean-up process.

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Capitol. In previous years, the Administration has requested funding for construction of Micronesian capitols. Congress has decided to defer funding for the Marshall Islands' capitol, noting that higher priorities existed. The Administration's fiscal year 1987 request for the Marshall Islands does not include funds for the Republic's capitol.

Mr. Chairman, we concur that there have been, and still are, many other construction projects which command a high priority. But time is running short for the Trusteeship and we believe that it is now proper for the United States to honor the commitment it made in Secretarial Order 2918 to construct the capitols. The design of the capitol building for the Marshall Islands is complete, and it is estimated that construction costs will be $10.0 million. Given the fiscal constraints which your government faces, we are requesting a contribution from the United States of $2.6 million, or approximately 26 percent of the project's cost.

College of Micronesia Nursing School. The College of Micronesia Nursing School is in danger of discontinuing operation and, thus, depriving the region of skilled health personnel who are critically needed. The Saipan facility will close at the end of the 1985-1986 school year. If the Nursing School is to accept students for September 1986, an alternative site must be arranged very soon.

The Government of the Marshall Islands has offered to make the old Majuro hospital available to the College for use as a temporary Nursing School until permanent facilities can be constructed. We have requested that Special Operations and Maintenance funds be allocated to remodel the old hospital so that it can be used as an educational facility. We seek your support for this request and for our request for $3.3 million to construct a permanent Nursing School.

The presidents of the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands endorsed the construction of such a nursing school in their 5 October 1983 Saipan Accords.

The Nursing School will be an integrated medical learning facility to fulfill the demand for qualified nursing personnel in Micronesia. The school will have facilities to train approximately 60 students, with living accomodations for 50 students and for 10 faculty and staff. I believe that completion of the Nursing School is essential to our effort to train enough nurses, including nurses for the Intensive Care Unit and the Neo-Natal Unit of the new Majuro hospital.

The site designated and already leased for the Nursing School is directly adjacent to the new Majuro hospital, which, with 80 beds and nearly 60,000 square feet of space, has the potential of becoming the most sophisticated and best equipped hospital in the region. The school will operate in close cooperation with the hospital, utilizing its facilities, equipment, and staff for practical training programs. The new facilities will be of institution quality construction with special emphasis on minimizing the harsh and corrosive effects of the tropical environment. A copy of the specifications for the project are attached. This project will cost approximately $3.3 million.

Extension of Technical Assistance Programs. Subsection 105(l) of the Compact Act makes certain non-reimbursable technical assistance programs available to the Marshall Islands during the Compact period. We are appreciative of this clause and of the technical assistance which we have received through the Office of Territorial and International Affairs in the past. It has enabled us to improve our systems for financial management, planning, and communication, develop civil aviation regulations, promulgate off-shore banking regulations, establish a patient monitoring system for the medical referral program, and provide training to police officers.

Mr. Chairman, as our responsibilities increase with self-government, so does the need for technical assistance. Technical assistance will become even more important as federal grant programs are terminated and our government begins to provide some of these services on its own. We request that the Committee include a provision in the Appropriation Bill which directs the Department of the Interior to provide technical assistance to the freely associated states under the same conditions and at the same levels as has been provided in the past.

At the request of Assistant Secretary Montoya, we have developed a techncial assistance program request for fiscal year 1986. Many of our requests, which are outlined in an attached statement, relate to new responsibilities which our government has recently assumed or will shortly be assuming. Our program includes projects to continue the hospital transition project, implement programs related to the Compact, hire a statistician, develop environmental protection regulations, and retain a physical planner, city management advisor, telecommunications advisor, and census manager.

Mr. Chairman, we are aware of the desire on the part of the United States Government to make available technical assistance in the area of law enforcement. My government looks forward to implementation of a comprehensive technical assistance agreement with the United States in this area.

Developmental Projects. Several communities in the Marshall Islands have requested supplemental funding for developmental projects. I wish to summarize the scope of these projects and present them to you with the endorsement of my government.

KADA Infrastructure Projects. The Republic's National Development Plan includes $116.2 million for the period 1985-1989 for projects to improve the economy and living conditions in Kwajalein Atoll. An additional $17.7 million is requested at this time to begin their implementation.

These projects are listed in an attached statement. Under the Compact and its subsidiary military use agreement, an additional $71.1 million will be available for these projects. The most critical projects are the desalinization unit, fuel farm, a third generating unit for the new power plant, and a sanitary landfill.

Jaluit Atoll Projects. We are requesting $13.0 million to begin the development of Jaluit Atoll, which is the third most populous community in the Marshall Islands. At present, Jaluit lacks infrastructure necessary to initiate development of its agricultural and marine resources. Attached is a detailed description of the economic investment projects which would make possible this development.

Enewetak Dock. The amount of $1.5 million is requested for extension of the dock at Enewetak. This project is necessary since the temporary docking facility constructed by the contractor for the clean-up at Enewetak in the late 1970s is located in a position that requires regular dredging to remove an accumulated build-up of sand and silt.

Conclusion

Mr. Chairman, before finishing my remarks, I would like to reiterate the difficulties that my Government is facing during this transitional stage in the relations between our two nations. We in the Marshall Islands find ourselves in a situation in which federal grant programs are suddenly stopping: the Headstart program, Aging program, community action agency, and Job Training Partnership Act program all technically ended on March 31. The project manager for the Aging program learned that his agency would receive no further funding seven days before the termination date. The administering agency for the JTPA program was informed of the pending closure on March 31, the last day of the program. We are bracing ourselves for other abrupt shutdowns of federal programs. The shutdowns are abrupt because no one has given us a timetable for their closure. The suspensions of federal programs are taking place, even though the Compact has yet to be implemented. It is too late for us to speak of an orderly transition period. To help us make the best of this situation, we ask that you repeal the provision of P.L. 99-178 that froze funding for health, education, and labor programs in the Marshall Islands. We ask that funding that had been approved for the Marshall Islands for fiscal year 1986 be released so that these programs may continue uninterrupted- or be resumed--at least until our new relationship takes effect.

Mr. Chairman, I wish to thank you for the opportunity to speak before this committee today. Regarding the budget for Compact implementation that has been submitted by the Administration, my government has noted several outstanding issues that have been neglected in the Administration's budget request. Provisions of the Compact of Free Association Act of 1985 have been left out of the budget--even though these provisions were approved by the United States Congress, signed by President Reagan, and presented to the people of the Marshall Islands as assurances when the Nitijela, our national legislature, reviewed and approved the Compact at the beginning of the year. The Nitijela's deliberations on the Compact was broadcast nationwide on radio and listened to with close attention in the remotest outer islands. I do not want to have to return to Majuro after today's testimony and report to the citizens of my nation that the assurances of the United States, which I had conveyed to them, the United States no longer stands by. And, as I have stated, it is the position of my government that the Compact of Free Association and its subsidiary agreements are indivisible. There can be no such thing as partial implementation, just as there was no such thing as partial approval. The supplemental items for which we have requested funding deal with these issues in a way that is fair and consistent with the United States Compact Act.

There is a story that is taught to school children in the Marshall Islands as they begin to learn English. It is called "The Magic Bean". I am told that the story is also widely known in America. It tells of a little farm boy who takes his mother's cow into town to sell for food money. Instead of selling the cow, the boy trades it for a magic bean. It wasn't long before the boy was feeling uncertain about the magical properties of the bean. We in the Marshall Islands are starting to feel like the little boy and are experiencing uncertainties about the Compact of Free Association relationship. We have looked on it as a starting point for the development of our young nation, yet the first few months of what the Administration regards as the transitional period have been very awkward. My government finds itself in the position of sending a delegation to Washington to plead for special consideration for programs and projects that our governments had agreed to only a few months ago. We very much hope that you will give your full support to the Compact and its subsidiary agreements and that the new relationship between our two nations grows and flourishes as did the little boy's magic bean.

Kom kanuij in emol.

NITIJELA OF THE MARSHALL ISLANDS

7TH CONSTITUTIONAL REGULAR SESSION, 1986 RESOLUTION NO. 62
N.D.-2

A RESOLUTION

To approve the Compact of Free Association, its subsidiary agreements, and other related agreements referred to herein with the Government of the United States for purposes of paragraph 1(3)(d) of Article V of the Constitution and for related matters.

BE IT RESOLVED by the people of the Marshall Islands through its Nitijela:

Section 1. Short title.

This Resolution may be cited as the "Compact of Free Association Resolution of 1986."

Section 2. Interpretation.

In this Resolution -

(1) "the Compact" means the Compact of Free Association concluded with the United States on 25 June 1983, as its implementation by the Government of the United States is affected by the United States Compact Act;

(2) "its subsidiary agreements" means the agreements set forth in Section 462 of the Compact which relate to the Marshall Islands, as their implementation by the Government of the United States is affected by the United States Compact Act;

(3) "the Marshall Islands" means the Republic of the Marshall Islands;

(4) "the United States" means the Republic of the United States of America;

(5) "the United States Compact Act" means the Compact of Free Association Act of 1985 enacted by the United States Congress on 13 December 1985 and signed by President Reagan on 14 January 1986;

(6) "the Claims Tribunal" means the Claims Tribunal to be established pursuant to the Section 177 Agreement;

(7) "the MUORA" means the Agreement regarding Military Use

and Operating Rights of the Government of the United States in the Marshall Islands concluded pursuant to sections 321 and 323 of the Compact of Free Association; and

(8) "the Section 177 Agreement" means the Agreement between the Government of the United States and the Government of the Marshall Islands for the Implementation of Section 177 of the Compact of Free Association.

Section 3. Approval of the Compact of Free Association.

For purposes of paragraph 1(3)(d) of Article V of the Constitution, the Nitijela hereby approves the Compact and its subsidiary agreements, as they relate to the Republic of the Marshall Islands, and recommends to the Cabinet that the Cabinet finally accept the Compact and its related agreements in accordance with section 1(3)(d) of Article V of the Constitution. Subject to the provisions of this resolution, the Cabinet is authorized to agree, in accordance with section 411 of the Compact, to an effective date for and thereafter to implement the Compact, its subsidiary agreements, and the other agreement referred to herein.

Section 4. Sovereignty.

(1) The people of the Marshall Islands acting through the Government of the Marshall Islands established under their Constitution have and retain their sovereignty and their sovereign right to self-determination and the inherent right to adopt and amend their own constitution and form of government. The Approval of the entry of the Government of the Marshall Islands into the Compact constitutes and exercise of that sovereign right to self-determination.

(2) The relationship of free association recognized that the people of the Marshall Islands have the capacity and the authority to conduct their internal and foreign affairs.

(3) In approving the Compact and its subsidiary agreements, it is the understanding of the Nitijela that the Government of the

United States will not act in a manner incompatible with the capacity and the authority of the Government of the Marshall Islands for its internal and foreign affairs, nor will the Government of the United States exercise its authority and responsibility for defense and security matters in n arbitrary or capricious fashion. The Government of the Marshall Islands will view such acts by the Government of the United States as a material breach of the Compact and its subsidiary agreements.

(4) The Government of the Marshall Islands reserves the right in the event of a material breach of the Compact or it subsidiary agreements by the Government of the United States to take action including, but not limited to, the suspension or revocation in whole or in part of the obligations of the Government of the Marshall Islands to the United States.

Section 5. Agreements with and Other Provision Related to the Marshall Islands as set forth in Section 103 of Title I the United States Compact Act.

(1) Law Enforcement Assistance. - For purposes of paragraph 1(3)(d) of Article V of the Constitution, the Nitijela approves the entering into by the Government of the Marshall Islands of the law enforcement assistance agreement provided for in subsection 103(a) of Title I of the United States Compact Act. The agreement shall provide that all assistance to be extended thereunder shall be provided as mutually agreed by the signatory governments.

(2) Economic Development Plans Review. - For purposes of paragraph 1(3)(d) of Article V of the Constitution, the Nitijela approves the entering into by the Government of the Marshall Islands of the agreement provided for in subsection 103(b) of Title I of the United States Compact Act regarding the submission of five-year periods of the Compact, nor may the United States suspend or withhold Compact funds in the event it does not concur with such development plans. Further, it

is the understanding of the Nitijela that the Government of the Marshall Islands can amend its economic development plans without the concurrence of the Government of the United States, and such an amendment will not constitute sufficient grounds for the Government of the United States to suspend or withhold Compact funds.

(3) Ejit and Other Lands within the Marshall Islands Used or Conveyed in respect to the Relocation of Persons Displaced by the United States Nuclear Testing Program. - For purposes of paragraph 1(3) paragraph 1(3)(d) of Article V of the Constitution, the Nitijela approves the entering into by the Government of the Marshall Islands of the agreement provided for in subsection 103(c) of Title I of the United States Compact Act regarding the Continued use of Ejit by the people of Bikini. Such agreeement shall include a provision which states: "The Government of the Marshall Islands may make provision for the Claims Tribunal to compensate the landowners of any lands used or conveyed by the United States in its program to relocate those made homeless by the United States nuclear testing program in the Marshall Islands from funds available to the Claims Tribunal under section 6 of Article II of the Section 177 Agreement.

(4) Kwajalein Payment. - The people of Kwajalein Atoll shall receive the following Compact funds from the Government of the Marshall Islands in payment for the use of Kwajalein Atoll by the Government of the United States as set forth in the MUORA:

(a) to be distributed to the Kwajalein landowners:

(i) $4.26 million each year for the first 15 years;

(ii) $1.9 million each year for the first 15 years of the term of the MUORA in Compact section 213 funds;

(iii) $2.5 million as provided for in the MUORA as an option payment after the fifteenth anniversary

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of the MUORA but prior to the sixteenth anniversary of the MUORA; and

(iv) $7.1 million each year for the second 15 years of the term of the MUORA, as adjusted by section 217 of the Compact, provided the Government of the United States extends its use of Kwajalein Atoll for that period; and

(b) to be paid to the Kwajalein Atoll Development Authority for the development of Kwajalein Atoll:

(i) $2.84 million each year for the first 15 years of the term of the MUORA from compact section 211 funds, adjusted by section 217 of the Compact; and

(ii) $1.9 million each year for the second 15 years of the term of the MUORA, provided the Government of the United States extends its use of Kwajalein Atoll for that period.

Notwithstanding the provisions of the United States Compact Act, including subsection 103(d) of Title 1, the failure by the Gov the Marshall Islands to make payments under the Land Use Agreem October 1982, or its related allocation agreements, is not in its inconsistent with the authority and the responsibility of the United States under title three of the Compact, and a proper and justified decision by the Government of the Marshall Islands not to make such payments, or the inability of the Government of the Marshall Islands to make payments pursuant to the Land Use Agreement, or its related allocation agreements, is not inconsistent with the authority and the responsibility of the Government of the United States under title three of the Compact.

By approving this resolution, the Nitijela does not seek to limit any funds that maybe obtained from the Government of the United States for the people of Kwajalein Atoll for the use of Kwajalein Atoll by the Government of the United States as military purposes.

(5) Section 177 Agreement.

(a) Any interference by the Government of the United States in the implementation and administration of the Marshall Islands nuclear Claims Fund by the Government of the Marshall Islands will be viewed by the Government of the Marshall Islands as material breach of the Section 177 Agreement and the Compact. This subsection shall be enforced, as may be necessary, in accordance with subsection 4(4) of this Resolution.

(b) Administrative requirements placed upon the Government of the Marshall Islands by the United States under subsection 103(e) of Title I of the United States Compact Act shall be placed on the recipient distribution authorities by the Government of the Marshall Islands to assure compliance to the Section 177 Agreement.

(6) Nuclear Test Effects. - The Claims Tribunal shall take into account assistance provided under the Section 177 Agreement and provided by the Government of the United States in the past to the people of Bikini, Enewetak, Rongelap and Utrik in determining what amount is due them for uncompensated claims, if any.

(7) DOE Radiological Health Care Program: USDA Agricultural and Food Program. - The Nitijela hereby ratifies the request made by the Republic of the Marshall Islands in respect to the continuation of the DOE and USDA programs referred to in subsection 103(h) of Title I of the United States Compact Act.

(8) Rongelap.

(a) In recognition of the concern of the people of Rongelap that it is not safe for them to live on Rongelap Islands, it is the desire and the expectation of the Nitijela that funds set forth in paragraph 1(e) of Article II of the Section 177 Agreement for the purpose of conducting medical surveilance and radiological monitoring activities shall be allocated in respect to conducting such activities on Rongelap Island on priority basis.

(b) Any action taken by the Government of the United States to restore the habitability of Rongelap Islands pursuant to subsection 103(i) of Title I of the United States Compact Act shall be done with the approval of or through the Government of the Republic of the Marshall Islands in consultation with the people of Rongelap.

(c) It is the expectation and the desire of the Nitijela that Government of the Marshall Islands will select scientists to conduct the medical surveillance and radiological monitoring activities contemplated in paragraph 1(e) of Article III of the Section 177 Agreement on the basis of competitive procurement, in consultation with the affected people.

(9) Radiation Related Health Care.

(a) It is the policy of the Government of the Marshall Islands that the funds available under section 1(a) of article II of the Section 177 Agreement shall used to provide medical services for the peoples of Bikini, Enewetak, Rongelap and Utrik and for those other Marshallese who are determined by the Government of the Marshall Islands to have been affected by the United States nuclear testing program and who are in need of special medical care as a result thereof, regardless of their island of residence or origin in the Marshall Islands.

(b) In the event that the Government of the United States does not provide the services promised under section 1(a) of article II of the Section 177 Agreement to those Marshallese designated by the Government of the Marshall Islands as affected by the United States nuclear testing program, then the Government of the Marshall Islands may use these funds to purchase the requested services from elsewhere, including from third country contractors.

(10) Enjebi Community Trust Fund.

(a) For purposes of paragraph 1(3) (d) of article V of the Constitution, the Nitijela approves the entering into by the Government of the Marshall Islands of the agreement provided for in subsection 103(k) of title I of the United States Compact Act.

(b) Further, the Nitijela recommends that the Cabinet, in consultation with the Enewetak Local Government Council, as soon as practicable, request of the Government of the United States that it monitor the radiation and other conditions of Enjebi Island, and within one year determine and inform the Government of the Marshall Islands whether the people of Enjebi can resettle Enjebi Island under circumstances where Federal radiation standards can be met.

(11) Bikini Atoll Clean-up.

Subject to the provisions of the Constitution, it is the decision of the people of Bikini whether or not they wish to restore and resettle Bikini and how they wish to do so. To preserve the government-to-government relationship envisioned by the Compact all Compact assistance must be paid through and with the approval of the Government of the Marshall Islands, including funds to restore Bikini. In the event the Government of the United States deals directly with the people of the Marshall Islands rather than through the Government of the Marshall Islands in respect to Compact assistance, then the Government of the Marshall Islands may view the Government of the United States to be in material breach of the Compact and its subsidiary agreements.

(12) GAO Access to Records.

For purposes of paragraph 1(3)(d) of article V of the Constitution, the Nitijela approves the entering into by the Government of the Marshall Islands of the agreement provided for in subsection 103(m) of title I of the United States Compact Act. The agreement shall provide for the confidentiality of Cabinet decision documents, and make appropriate provisions for fiscal procedures in respect to the Compact, its subsidiary agreements, and other agreement referred to in this resolution.

Section 6. Interpretation of and United States Policy Regarding Compact of Free Association as set forth in Section 104 of Title I of the United States Compact Act. Fisheries Management.

Notwithstanding the provisions of subsection 104(g) of title I of the United States Compact Act:

(1) the Government of the Marshall Islands has and retains the sovereign right and authority to exercise jurisdiction relating to managing, harvesting, conservation, exploration or exploitation of living and non-living resources, including highly

migratory species, from the sea, seabed or subsoil, without exception, to the full extent recognized under international law; and

(2) the full faith and credit provisions of section 236 of the Compact are in no way impaired or diminished by the designation of Compact funds as "foreign assistance" for purposes of the Foreign Assistance Act of 1961 and the Fisherman's Protective Act of 1967.

Section 7. Supplemental Provisions as set forth in Section 105 of Title I of the United States Compact Act.

(1) Federal Program Requirements. In approving the Compact and its subsidiary agreements, it is the understanding of the Nitijela that in respect to program assistance extended to the Government of the Marshall Islands under the Compact, its subsidiary agreements and the United States Compact Act, the appropriate agencies of the Government of the United States shall develop regulations, standards and procedures appropriate to the Marshall Islands and the special governmental relationship set forth in the Compact, and the Government of the United States shall provide the Government of the Marshall Islands with the opportunity to comment during such development.

(2) Relations between the Government of the United States and the Government of the Marshall Islands. In approving the Compact and its subsidiary agreements, it is the intent of the Nitijela that the Government ofthe Marshall Islands, as a sovereign nation in free association with the United States, shall conduct its official relations with the Government of the United States through the United States department of State, and the Government of the United States shall conduct its official relations with the Government of the Marshall Islands through the Ministry of Foreign Affairs.

(3) Medical Referral Debts. In approving the Compact and its subsidiary agreement, it is the understanding of the Nitijela that the Government of the United States will appropriate and make available funds, in a timely manner, for the payment of the medical

referral debts referred to in subsection 105(d) of title I of the United States Compact Act.

(4) Noncompliance Sanctions. In approving the Compact and its subsidiary agreements, it is the understanding of the Nitijela that notwithstanding subsection 105(g) of title I of the United States Compact Act, the Government of the United States has no greater right to suspend or withdraw the performance of its obligations under the Compact and its subsidiary agreements than the Government of the United States had under the Compact and its subsidiary agreements as they were agreed to on 25 June 1983, and the Government of the United States does not have the authority under the Section 177 Agreement or the MUORA to withhold any funds due the Government of the Marshall Islands under the Compact, its subsidiary agreements, and the United States Compact Act.

(5) Continuing Programs. The provisions of section 178 of the Compact shall only apply to employees and contractors of the Government of the United States engaged in activities provided through and with the approval of the Government of the Marshall Islands.

(6) Education Programs. In approving the Compact and its subsidiary agreements, it is the understanding of the Nitijela that the Government of the United States will, in a timely manner, appropriate and make available the funds necessary to provide the educational programs referred to in subsection 105(i) of title I of the United States Compact Act.

(7) Trust Territory Debts to U.S. Federal Agencies. In approving the Compact and its subsidiary agreements, it is the understanding of the Nitijela that the Government of the United States will, in a timely manner, appropriate and make available the funds necessary to pay the debts of the Trust Territory Government to United States will, in a timely manner, appropriate and make available the funds necessary to pay the debts of the Trust Territory Government to United States federal agencies, and the Government of the United States

will not deduct funds from the Capital Improvement Program to pay such debts.

(8) Indefinite Land Use Payments. In approving the Compact and its subsidiary agreements, it is the understanding of the Nitijela that the Government of the United States will, in a timely manner, appropriate and make available the funds necessary to pay debts owed for governmental use of land in the Marshall Islands prior to 1 January 1985.

(9) Trust Funds. In approving the Compact and its subsidiary agreements, it is the understanding of the Nitijela that any consultations by the Government of the United States with the trust beneficiaries pursuant to subsection 105(p) of title I of the United States Compact Act shall be conducted through the Government of the Marshall Islands.

Section 8. Construction Assistance as referred to in Section 106 of the United States Compact Act.

For the purposes of paragraph 1(3)(d) of article V of the Constitution, the Nitijela approves the entering into by the Government of the Marshall Islands of agreements which would allow the Government of the Marshall Islands to be eligible for the construction contract assistance available under section 106 of title I of the United States Compact Act.

Section 9. Compensatory Adjustments as referred to in Section 111 of the United States Compact Act.

(1) In approving the Compact and its subsidiary agreements, it is the understanding of the Nitijela that the Government of the United States will, in a timely manner, make available to the Government of the Marshall Islands the funds and programs provided under section 111 of title I of the United States Compact Act as compensation for the reduction of benefits resulting from the limiting interpretation given the trade and tax provisions of the Compact by title IV of the United States Compact Act.

(2) For purposes of paragraph 1(3)(d) of article V of the Constitution, the Nitijela approves the entering into by the Government of the Marshall Islands of the agreement called for in section 111 of title I of the United States Compact Act in respect to the creation of an advisory board for the investment development fund.

Section 10. Pacific Policy Reports Referred to in Title III of the United States Compact Act.

The Nitijela encourages the Cabinet to participate in the Pacific policy review process set forth in title III of the United States Compact Act in a manner consistent with the status of the Marshall Islands as a sovereign nation and with a view toward advancing the region's common interest and world peace.

Section 11. Reservation.

In the event that the Government of the United States acts contrary to any of the understanding and other provisions set forth above, the Government of the Marshall Islands may view such action as a material breach of the Compact, its subsidiary agreements and the other agreements referred to herein. This section shall be enforced, as may be necessary, in accordance with subsection 4(4) of this resolution.

Section 12. Where any violation by the United States, of the Compact of Free Association or its subsidiary agreements are committed, or where obligations undertaken by the United States under the Compact or its subsidiary agreements are not fully satisfied or where the United States acts contrary to any of the understandings or other provisions setforth, and any reconciliation or resolution cannot be achieved under internationally recognized legal norms and principles, the people of the Marshall Islands, in keeping with their sovereignity, have and hereby preserve the right to withdraw in whole or in part any of the rights granted to the United States under the Compact or its subsidiary agreements.

Certificate

I hereby certify:

(1) that the above Nitijela Resolution No. 62 N.D.-2 has been adopted by the Nitijela of the Marshall Islands on the 18th day of February, 1986; and

(2) that I am satisfied that Resolution No. 62 N.D.-2 has been adopted in accordance with the Constitution of the Marshall Islands and the Rules of the Nitijela.

I hereby place my signature before the Clerk of the Nitijela this 20th day of February, 1986.

Atlan Anien, Speaker
Nitijela of the Marshall Islands

Attest:

Rufina N. Jack

Rufina N. Jack, Acting Clerk
Nitijela of the Marshall Islands

$75 Million General Obligation Bond Issue

Structure of the Bond Issue

The bond issue will be a 15 year, private placement, taxable issue, secured through payments into an escrow account from Compact funds. It is anticpated that the purchasers of the bonds will be three or four large institutions. The current interest rate which the bonds will attract is estimated to be slightly above 9.0 percent.

Manager

The Government has retained E.F. Hutton to manage the issue. Meetings with E.F Hutton officials will be held in Majuro from February 19-21 to initiate the project. Outside legal counsel will be appointed shortly.

Amount

The amount of the proposed bond issue is $75 million. After legal and management fees are deducted, bond proceeds are estimated to be $73.5 million.

Use of the Proceeds

The bond proceeds will be used as follows: $59.9 million to retire all existing long-term debt and the remainder, $13.6 million, will be used to fund the development budget. Of the $13.6 million, $8.0 million will be placed in long term investments to finance development projects in later years, and $2.0 will be placed in a reserve fund to provide additional funding for projects to be implemented in fiscal year 1986.

Advantages

Restructuring of long term debt through the bond issue is advantageous due to the following:

1. It will lengthen debt maturitities and reduce debt service burdens during the next three years:

2. It will achieve a lower overall interest rate;

3. It will make debt service commitments more predictable since all debt will be denominated in $US and will be at a fixed interest rate.

April 1, 1986

To: MIDA General Manager

From: CIP Administration

Re: Projects Status Report

REPORT FROM THE CAPITAL IMPROVEMENT PROJECTS ADMINISTRATION
MARCH, 1986

I. Project Status Report

A. Majuro Sewer Project, Phase I

CIP, TTOCIP and Barrett, Harris and Associates have been working closely together to assist the Contractor, Nine Group, with the technical and procurement problems of the project. The staffs of the Contractor and of the Construction Manager have been reorganized and the CIP staff has been increased. These changes are stimulating encouraging progress in the project, now 13 months underway. CIP has delegated CIP Engineer Mr. Graham Kortegast as the Project Coordinator for Phase I.

Majuro Sewer Project, Phase II

CIP Administration opened bids on February 26, 1986, and the Japanese firm Asanuma Gumi is the apparent low bidder for Phase II. CIP is presently negotiating with Asanuma Gumi as their bid was higher than the Phase II budget. CIP has appointed CIP Engineer Matthew Walker as the Project Coordinator. CIP plans to perform the construction management of the project in house. Land Leases are 64% secured. Chief Secretary Oscar De Brum will assist CIP in obtaining the remaining unsecured land easements.

B. The Marshall Islands High School Cafetorium

The $1.5 million dollar project is slightly behind schedule. Mr.

Graham Kortegast has been appointed as project coordinator for this project.

C. The Majuro New Hospital Project

The 81-bed, $8,400,000 prefabricated hospital is substantially completed. The CIP construction crew are involved with various finishing touches such as cleaning, landscaping and touch up painting. Parts of Building A, Building B, Building E and Building H have been used by the Sisters of Mercy for training and staff orientation since January 20. CIP Engineer Johnny Lasao has taken the enormous task of Project Engineer, assisted by the direction of Mr. James Abernathy. A final punch list has been nearly completed.

D. The Majuro Dock Repair

Mr. Graham Kortegast has been assigned the Project Coordinator position on this project to repair the existing New Dock. Plans and specifications have been completed and sent to TTOCIP for approval. The project will be put out to bid in April.

E. Jaluit Dock Project

CIP Engineer Graham Kortegast made an initial visit to Jabwor, Jaluit on March 14, 1986, in order to inspect the project site and meet with local government officials regarding the design of the dock. Mr. Kortegast is preparing a report on his visit. A conceptual design was completed by CIP and sent to TTOCIP for comments. A basis for design is in process of being written by CIP.

F. Laura Electrical Upgrade Project

This project to provide a 13.8KV electrical distribution system to the community of Laura, will be put out to bid upon completion of plans and specifications. CIP has appointed Matthew Walker as the Project Coordinator of the project. A proposal was submitted by MEC but it addressed the entire Majuro distribution system, and therefore was not applicable for the Laura Upgrade.

G. The Ebeye Sewer Rehabilitation Project

CIP has a staff of one on site inspector and two inspector assistants full time in Ebeye. Mr Matthew Walker is the Project Coordinator, who is currently on Ebeye meeting with the Contractor regarding expediting the project.

H. The Laura Wastewater Project

President Amata Kabua executed the Project Grant Agreement on March 25, 1986, for this $500,000 project to provide a wastewater system for Laura. A feasibility study will initially be conducted, and final plans and specifications will be prepared based on the design received from the World Health Organization.

I. The Marshalls Rural Sanitation Project

TTOCIP has applied for the EPA grant for this $601,000 project. A draft Project Grant agreement will be prepared by CIP and hopes are high that implementation can begin in May.

In addition to the EPA funds, the United Nations Development Program has funded an additional $61,000 in materials, tools and equipment for ferrocement water catchments and toilets for the Marshalls.

The Peace Corps is assigning one volunteer to the project to work as a trainer and liaison to the outer islands. Mr. David Rosencrans, who has been trained in rural sanitation will be arriving in Majuro in April.

The Marshalls Rural Sanitation Project will supply materials and technical supervision for the construction of approximately 1900 water catchments and toilets for the residences in the outer islands and Majuro Atoll outside the D.U.D. sewer area. This Project will greatly improve the health and living standards on the outer islands. CIP is working in coordination with the Departments of Health, Social Services and Education, which also are implementing rural sanitation projects.

J. Sewer Toilet Project

President Amata Kabua executed the Project Grant Agreement on March 24, 1986, for this $266,000 project to build toilets in the heavily-populated areas of D.U.D. in Majuro and Ebeye, Kwajalein (the only areas with sewer systems.) CIP recommended that part of the funds be used in building toilets at public areas such as at the Weather Station, at all schools, the Museum, Mieco Beach, and the Court House, to name a few. The balance of the funding can be used for residents' toilets, with eligibility based on income, existing facilities, and size of household.

K. Majuro Water Project

$2,500,000 is funded to improve the water supply in Majuro Atoll. President Amata Kabua executed the Project Grant Agreement on March 24, 1986.

Part of the first phase in the Majuro Water Project, a request for proposals for a desalination facility in Majuro using waste heat, was advertised in the Honolulu, Guam and Marshall Islands newspapers. In addition, a feasibility study will initially be conducted which will involve an analysis of conditions and plans which will include the impact of the project upon the environment and the operating costs. Upon completion of the feasibility study, plans and specifications will be developed to implement the construction of the Majuro water system.

II. CIP Administration Activities:

CIP Administrative Office is at present augmenting its staff of technical personnel, to develop and implement the projects described above. Mr. David Moore, CIP Engineer, has been appointed the Acting CIP Administrator.

U. S. FEDERAL PROGRAMS OPERATING IN THE REPUBLIC OF THE MARSHALL ISLANDS DURING FISCAL YEAR 1986

Program	FY-86 Approved Budget
MINISTRY OF EDUCATION	
1. ECIA, Chapters 1 and 2	2,673,150
2. Territorial Teacher Training	208,180
Total for Education	2,881,330
MINISTRY OF HEALTH SERVICES	
1. Maternal and Child Health	138,828
2. Preventive Health and Health Services	57,800
3. Venereal Disease Control	13,500
4. Immunization	2,400
5. Continuing Education (Majuro and Ebeye)	22,532
6. Health Planning	62,986
7. Family Planning	18,899
8. Environmental Protection	54,228

Program	FY-86 Approved Budget
9. Vocational Rehabilitation	97,500
10. Alcohol, Drug Abuse, and Mental Health	16,000
Total for Health Services	484,673
MINISTRY OF SOCIAL SERVICES	
1. School Hot Lunch Program	3,000,000 (est.)
2. Special Food Assistance	
a. USDA Commodities	3,900,000 (est.)
b. Operational Funds	94,000
3. Aging Programs	
a. Aging Agency	456,544
b. SCSEP Title V	94,850
4. Community Development Block Grants	697,689
5. Youth Runaway Project	7,200
6. Nutrition Education	6,000
Total for Social Services	8,256,283
OTHER PROGRAMS	
1. Headstart	764,700
2. Consolidated Energy Grant	31,898
3. Historic Preservation	63,010
4. Job Training Partnership Act	413,354
5. Marshalls Community Action Agency	164,897
6. Juvenile Justice and Delinquency Prevention	17,000
Total for Other Programs	1,454,859
TOTAL FOR MARSHALL ISLANDS	$13,077,145

In addition to the programs listed above, the government has received federally-funded technical, training, and program assistance through a number of third party agencies which have not been funded through TTPI. Some programs, such as the Legal Services Corporation, have been funded directly through TTPI Headquarters. The scholarship assistance of the Pell Grant program has made payments directly to colleges attended by Marshallese students.

REPUBLIC OF THE MARSHALL ISLANDS
MINISTRY OF HEALTH SERVICES

SUMMARY OF THE IMPACT OF FEDERAL GRANT PROGRAMS

In the waning years of the Trust Territory administration, nearly 100% of the primary health care in the Marshall Islands has been funded by U.S. federal grant programs. Federal programs have paid for a variety of health services, from the treatment of infants and their mothers to geriatric care for our elderly citizens. Health education for the public, the training of health professionals, rehabilitation programs, the prevention and control of communicable diseases, the child immunization program, physical examinations of school children, the protection of the environment our atolls and islands--all of these programs have been funded directly by federal grants.

In the past year, for a relatively modest cost outlay, federal funding for health services has provided

(1)a Maternal and Child Health Block Grant that has immunized over 3,300 children under six years of age, provided pre-natal and post-natal services for their mothers, and conducted child health clinics and school health programs of physical examinations and immunizations;

(2)a geriatric health program that has treated an average of 248 patients monthly with physical therapy, nursing care, and home visits, fed sixty "home-bound" elderly residents of Majuro, and given continued therapy to the forty-two surviving victims of the polio epidemic started at Kwajalein in the 1960's;

(3)mental health assistance to Marshallese people in need of such help, particularly public education and counselling for alcoholism which has been a tragic side-effect of the modernization of our young nation;

(4)programs of continuous professional training for the eighty nurses, 120 health assistants, and thirty-eight midwives employed by the national health service;

(5)vocational rehabilitation that has given physical therapy and on-the-job training to 245 clients in need of such services;

(6)a program to upgrade the dispensaries in the isolated outer islands where forty percent of the Marshallese people still reside;

(7)the Communicable Disease Control Program that identified and treated seventy-two cases of tuberculosis and thirty-seven cases of leprosy and, at this time, is investigating an outbreak of typhoid at Ebeye;

and (8)a number of other preventive health care services.

Every one of these projects has been funded in its entirity by federal programs and is jeopardized by the cut-off provision of P.L. 99-178. My government will not allow such essential programs to come to an abrupt halt. Even a reduction of the health programs seems unconscionable to us. To help maintain these minimum health services, we ask that the Public Health Service programs appropriated for Fiscal Year 1986 be allowed to continue and that they shall be available to the people of the Marshall Islands for the period of the Compact, as the United States Congress and the Marshall Islands Nitijela have agreed in their respective resolutions approving the Compact.

A summary of the impact on the education system of the Marshall Islands if federal funding is summarily stopped

During the present fiscal year, over 65% of the total funds available to the Marshall Island Department of Education are coming from supplemental federal programs such as Chapters 1 and 2 *. This statement will summarize the ways in which the federal education funds are being used.

To provide supplemental learning assistance. In line with the spirit of Chapter 1 and 2 programs for educationally disadvantaged children, special attention is being given to students showing poor academic performance. Federally-funded Teacher Aides provide help by giving students individual help in special reading and mathematics groups. A staff of Educational Specialists work with teachers to help them use curriculum materials most effectively and suggest the best teaching methods. We would soon expect to see a decline in student achievement levels if these kinds of assistance were to stop.

To educate handicapped children. Today the Special Education program is totally supported by supplemental federal funding. 252 deaf, blind, learning disabled, severely handicapped, and multiply-handicapped children are now receiving educational services from specialized teachers to help them become self-sufficient. This program is still inadequate, however, operating only in the two urban centers and two of the larger outer island communities. The experience in the United States is that 12% or more of students need Special Education services, by which guideline the school system of the Marshall Islands is presently serving only about 17% of the children in need of them. Without supplemental funding the Marshall Islands will be hard pressed to even continue the present program, much less to attempt any expansion.

To buy textbooks. Some 60% of the books used in the high schools, and all of those used in the public elementary schools, are bought with federal funds. A substantial amount of federal money is also set aside for the private schools to buy books as they see fit; for most private schools, this funding accounts for the greatest part of their book-buying budget. Without these supplemental funds, our schools will shortly run out of useable textbooks, readers, and library books.

To establish adequate learning environments. The record of the Trust Territory in building secure, sturdy classrooms is a poor one. A great many of our public school buildings are now in an advanced state of deterioration. Rain completely halts school in many places, and some buildings are actually unsafe for children to enter. Consequently, in the last two years the Education Department has used a substantial portion of the federal funds to conduct a major renovation project, which is expected to solve the most immediate problems at 34 schools. However, eleven additional schools are also in need of renovation, and none of our 72 schools presently have adequate toilet facilities.

To develop and print books in the local language. Federal funding is used to support a curriculum development center to produce textbooks, workbooks, and readers in the Marshallese language, for use in both the public and private schools. Advanced educational research in the United States indicates that children can learn

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**The basis for this statement: federal education funds allocated for Fiscal Year 1986 total just under $3 million, plus $1.8 million in carried-over FY85 funds, as compared to the Nitijelā (national legislature) education appropriation of approximately $2.5 million for the period.*

English better if they first have a firm foundation of reading and writing in their home language. The locally-written materials also serve to preserve and teach the traditional island culture to the young people of today. The process of developing curriculum should never end because the content needs to be constantly updated and revised, and education research is always suggesting better learning methods. Without the levels of funding the federal programs have been providing, curriculum development activities will have to stop. Nor will there be enough money to reprint the existing materials.

To buy classroom supplies, equipment, and furniture. Virtually all of the writing paper, ditto masters and paper, art materials, and science education supplies used in the public elementary schools are bought with federal funds. So are classroom equipment such as blackboards, ditto machines, and manual typewriters, and all student and teacher furniture. The high schools and private schools also count on these funds for a large part of their supplies and materials needs. A cut off of federal education funding will have an immediate impact on the ability of teachers in every school to provide a quality instruction.

To evaluate student progress. All student achievement testing is presently being supported by federal funding. This includes a battery of English and Mathematics tests for elementary students in grades three through seven administered annually, and a test for graduating eighth graders to select the top 40% of children for admission to the public high schools. These testing programs are the best way we have of evaluating how individual students are progressing and how different schools compare, yet are very expensive to administer.

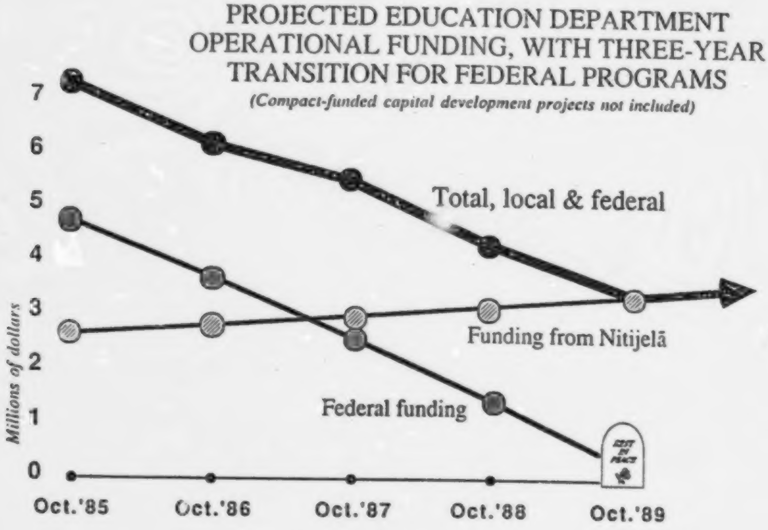
To provide quality vocational education in the high schools. Some 80% of the materials and equipment procured for secondary vocational programs are bought with federal funds. Both the public and private schools offer programs in agriculture, carpentry, homemaking, business skills, and small engine & auto repair, mostly supported with this supplemental funding. Vocational education is expensive, but essential to our future development. Without the assistance of the projected transitional funding for educational activities however, these programs will have to be severely cut back and may come to end entirely in some of the private schools.

To train teachers and upgrade staff skills. An in-service teacher training program of the College of Micronesia in Majuro is largely supported by federal funds, working toward the goal of every teacher possessing a two-year AA/AS degree in Education. Extension programs for bachelors degrees in Education from the Universities of Guam and Hawaii are also sponsored, and a few teachers are sent away each year to complete their education. A number of other workshops and training programs, both within the Marshalls and at other locations, are supported with federal funding. It is expected that all of these teacher training activities will have to stop unless funding is made available for an orderly transition in the first three years of the Compact, with the result that the upgrading of the teaching force will have to be largely abandoned.

To operate post-secondary education programs in Micronesia. It would appear that the College of Micronesia system is also in jeopardy. For the current fiscal year, a grant of $1.5 million from the Department of the Interior accounts for approximately 45% of the system's funding. The Community College campus in Pohnpei serves 250 students annually; the Micronesian Occupational College in Palau has an annual enrollment of 420 students; the Nursing School, which is slated to move from Saipan to Majuro this September, trains thirty health professionals annually; and the College's extension services in each of the political entities of Micronesia provide a variety of educational opportunities to the general public. All of these services are likely to be diminished or lost without the transitional funding for education programs that have been assured to the Marshall Islands in the Compact Act.

To provide various other support services to schools. Federal funds are used to pay for bus service for students from throughout Majuro Atoll. Occasional interruptions of service show us that over 200 students can't attend school without it, yet we are dependent on the supplemental funding to provide it. Federal funds are also used to support an audio-visual library and video studio which serves all the schools, public and private. In addition, the Title V Senior Employment Program employs elderly citizens to come into classrooms to pass along the traditional skills and knowledge of our island heritage. Finally, an effective six-week summer orientation program for students accepted into high school is federally supported.

Given our limited local resources, it will continue to be a challenge for us to provide a quality education to our children, especially as enrollment is rising a consistent 4.5% every year. But a sudden cut of more than half of the Education budget, unanticipated and unplanned for without any transition period at all, will cripple our system for years to come.


PROJECTED EDUCATION DEPARTMENT OPERATIONAL FUNDING, WITH THREE-YEAR TRANSITION FOR FEDERAL PROGRAMS

(Compact-funded capital development projects not included)

THE IMPACT OF THE COMPACT ON SOCIAL SERVICES PROGRAMS

Overview

The major emphasis in the Compact, as with the Five Year Development Plan, is on self-reliance. This is evidenced in the amounts of grants appropriated and the types of programs promoted in the Compact. Economic development lurks behind the continuing federal programs, especially those which were recently added in the U.S. Congress Resolution which approved the Compact.

In setting budget ceilings to the various Ministries under Compact fundings, the Ministry of Social Services was allotted $300,000 to cover

"All Others" and "Travel" expenses. To date, supplemental requests amounting to $321,000 (less the transferred GIA fund of $150,000) have been submitted. This $300,000 plus $171,000 (totalling $471,000) does not include expenses for the following programs (worth $7.828 million), which at present are federally funded.

School Hot Lunch Program		$3,000,000
Special Food Assistance		4,000,000
a) Commodities value	$3,900,000	
b) Operation funds	100,000	
Aging Programs		403,000
a) Excluding Title V SCSEP		
b) Including Geriatric under Health		
Community Development Black Grants		400,000
a) Low-cost housing		
b) Water catchment		
c) Recreational/sports facilities		
d) Community centers		
e) Vocational Training facilities		
Lesser Grants		25,000
a) Youth Runaway Project		
b) Musical Instrument Project		
c) Community-Based Planning		
d) Client Assistance Program		
Total (Excluding Land Grants)		$7,828,000

The total of $7.828 million could not be covered by the requested budget of $471,000, nor by the total Block Grant amount of $3,000.000. Even if these programs were to be tagged on later to the Compact, there are strong possibilities of a number of them being cut - especially in the cases of the Aging and the CDBG programs.

THEIR CONTINUATION - THEIR REDUCTION - OR THEIR ELIMINATION - WHATEVER DECISION WE CHOOSE TO TAKE, SHOULD RELATE TO THE OVERALL GOAL OF SELF-RELIANCE.

And if this country is to be self-reliant, that self-reliance has to start with an individual, a family, a community, a local government, etc. If the decision of the people of the Republic is to continue having their students and their aged fed nutritious food and having diseaster-stricken families provided with supplemental food, then future feeding programs will need to be structured so that individuals, families, communities, local governments and the national government will and can contribute to the maintenance of such schemes. This would mean that each family should be more responsible for feeding its members. Each community should be more responsible for feeding its people. Local governments, rather than the national government, should take on the additional responsibility. Families, schools, community groups, local and national government should instigate and sustain interest in the abundant production of locally nutritious food.

Ongoing and Available Resources to Tap

Ongoing federal programs which will not phase out under the Compact and which are utilized by the Ministry are as follows:

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Land Grants (through COM)	$21,000
a) Women's programs	
b) Youth programs	
c) Food Production programs	
Job Training Partnership Program	5,000
a) Women's programs	
b) Youth programs	
c) Food Production program	
Total	$26,000

Funds and programs possible for the nuclear affected population presently under the School Hot Lunch Program and Special Food Assistance Program are included under Section 177 of the Agreement covering people of Bikini, Enewetak, Rongelap, and Utirik. With land compensations to be provided to Kwajalein, it should be possible for the Kwaj people to supplement their feeding and aging programs. (Land Use Agreement). In Section 177, the following sums were set aside:

Bikini	$75,000,000
Enewetak	45,750,000
Rongelap	37,500.000
Utirik	22,500,000
Total (for 15-yr. period)	$180,750,000

Kwajalein compensations will amount to $9,000,000 per year. Also, in Subsection 103 (h) of the Joint Resolution of the Congress, which is entitled DOE Radiological Health Care Programs: USDA Agricultural and Food Programs, provision is made for the continuation of the USDA agricultural maintenance and food programs for the people of Bikini and Enewetak. The clean-up and planting of Enjebi Island of Enewetak is provided for under "Enjebi Community Trust Fund", which has a total worth of $7.5 million. The restoration of Bikini by U.S. appropriations is more legally binding than that of Rongelap (according to the draft analysis of the Compact Joint Resolution).

In addition to the continuing College of Micronesia Land Grants Program (the Farmers Home Administration Program), the following are potential resources:

Technical Assistance (Subsection 105(1) of Joint Resolution)
  a) Soil Conservation Service
  b) Fish and Wildlife Service
  c) Marine Fisheries Service
  d) Historic Preservation

Compensatory Adjustments (Section 111 of Joint Resolution)
  a) Small Business Administration
  b) Job Training Partnership and Job Corps

Continuing Federal programs and Compact funds (above) indicate these possible routes to take:

1) That definitely Kwajalein, Bikini (Kili & Ejit), Enewetak (& Ujelang), Rongelap (Mejatto), and Utirik can survive the termination of the national feeding and aging programs (including the others listed in the 'Overview' as well).

2) That technical assistance can still be provided these atolls/islands in the following areas: food production and preparation skills, business skills, program (money) management skills, family education, and other such social programs.

3) That funds are to be appropriated to all the other atolls/islands for the development/maintenance of their integrated projects, and such projects are to include the following areas stated in #2 - plus income-generating activities, sports and recreational programs, etc.

Non-federal programs and non-federal sources of funds possible to supplement the integrated development schemes are as follows:

UNFPA/ILO Family Life Education Project	$54,600.00
UNICEF/SPC Family Food Prod./NutriEd Project	40,820.00
UNDP National Women's Organization Project	10,975.00
UNDP/ILO Income-generating Activities	3,300.00
UNICEF/WHO Midwife Training Program	16,500.00
UNICEF Growth Monitoring Project	
UNICEF/WHO Water Supply/Sanitation Project	66,000.00
UNDP Water Supply/Sanitation Project	60,000.00

More UN Programs and Funds could be made available, particularly in the areas of community development, vocational skills training, etc. This would mean that except for the Feeding and Aging Programs and such projects as the Juvenile Justice Delinquency Projects, all the other programs of the Ministry at present could continue with no major obstacles under Compact terms.

The Family Food Production/Nutrition Education Project needs to be capitalized as well as complemented by the planned primary gardening education project, the secondary schools' gardening projects, and national food programs.

An Assessment

If continued, the government's role in the present national feeding and aging programs needs to be appraised and restructured. Management, funding and fiscal accountability aspects need to become decentralized. Development plans of respective atoll/islands will need to include innovative means to feed their students. The national government's part may become that of providing overall coordination, technical assistance, and exploring additional sources of funds.

- It will have to be determined whether individual students/families should contribute toward their enrollment in the feeding program in cash or in-kind. The same would be applicable to elderlies enrolled in the aging programs.
- Schools, as well as the families involved, need to have their own gardens to supplement their feeding programs. Aging groups, as well as women's and youth groups, should also be involved with food production.
- To ascertain the presence of youthful manpower in the outer islands or local governments, the educational system should be revised to accommodate the delay of students leaving the outer islands and their families from the ages of 13-14 to 16-17.

Accomplishing high grades at a very young age should not be the encouraged trend, but it should be avoided.

- Delegating responsibilities (and thus, job opportunities) to the local government should retain at least the youth and a number of skilled manpower in outer island communities.

TO: Marshall Islands Development Authority
Republic of the Marshall Islands
Majuro, Marshall Islands

DATE: Feb. 20, 1985

ATTN: Chairman Oscar Debrum

PROJECT: College of Micronesia School of Nursing
Majuro, Marshall Islands

SUBJECT: Construction Budget Estimate

DESCRIPTION OF FACILITIES

Dormatory: A single building, probably two stories, with two person rooms clustered in 6 room groups, each group having a living/study room and bath unit. Facility would accomodate a total of 48 boarding students. A laundry room and 2 room apartment for an adult monitor are also included along with a cafeteria and kitchen facility to feed up to 70 persons.

24 Student Rooms @ 224 sq. feet ea.:	5,376	
4 Common rooms @ 360 sq. feet ea:	1,440	
4 Bathrooms @ 200 sf ea :	800	
Monitor's Apartment @ 400 sq. feet:	400	
Laundry @ 192 Sq. feet:	192	
Cafeteria for 70 @ 15 sf/person:	1,050	
Kitchen & Storage @ 100% of Cafeteria:	1,050	
Mechanical & Service:	250	
Circulation @ 15%:	1,583	
Total Square Feet Required:	12,141	RT. 12,500

Learning Facility: A single one story building with two classrooms, a multipurpose room, lab, library, administrative offices and toilets.

2 Classrooms @ 1000 sf ea :	2,000
1 Multipurpose room @ 1000 sf:	1,000
1 Library @ 640 sf:	640

1 Laboratory @ 640 sf:	640	
Administration Offices @ 1,000:	1,000	
Toilets and service @240:	240	
Circulation @ 15%:	828	
Total Square Feet Required:	6,348 RT	6,500

Staff Housing: Two single family houses for faculty with families and four duplexes for couples or single faculty.

2 Single Family Dwellings @ 1600 sf ea :	3,200	
4 Duplex Units @ 1900 ea :	7,600	
Total Square Feet Required:	10,800	10,800

COST ESTIMATE BREAKDOWN

ITEM	SQUARE FEET	COST FACTOR PSF	TOTAL
Dormatories	11,450	$95.00	1,087,750
Kitchen	1,050	125.00	131,250
Learning Facility	6,500	90.00	585,000
Single Family Units	3,000	65.00	195,000
Duplex Units	7,600	60.00	456,000
Site and Utility Work, Lump Sum Estm.			120,000
SUBTOTAL CONSTRUCTION:			$2,675,000
Construction Contingency @ 5%:			129,250
Architectural & Engineering @ 5%:			129,250
REPMAR Administration @ 4%:			107,000
Furniture and Equip., Lump Sum Estm.			110,000
TOTAL ESTIMATED CONSTRUCTION COST*:			**$3,150,500**

* Does not include land acquisition costs.

Submitted By:
W. Carletom Hawpe, Architect

Republic of the Marshall Islands
FY 1986 Technical Assistance Program

Priority	Ministry	Project Title	Program Area	Cost	New or On-going
1	Health Services	Hospital Management	Contract Management	150,000	On-going
2	Chief Secretary	Physical Planner	Economic Development	40,000	On-going
3	KALG	City Manager	Government Operations	50,000	On-going
4	Finance	Accounting Advisor	Government Operations	40,000	On-going
5	Chief Secretary	177 Fund Mgr. Search	Government Operations	50,000	New
6	Trans & Comm.	Communication Advisor	Government Operations	50,000	on-going
7	Trans. & Comm.	Field Engineer	Government Operations	45,000	New
8	CIP	Sewer Maint. Training	Contract Management	52,000	New
9	Chief Secretary	Statistician	Economic Development	40,000	On-going
10	Chief Secretary	Census Manager	Government Operations	30,000	On-going
11	Resources & Develop.	Reef Survey	Economic Development	34,000	New
12	Education	Task Force Implementation	Government Operations	54,100	New
13	Maritime Authority	Gen. Manager/ Surveillance	Economic Development	87,000	New
14	Finance	Legal Advisor	Government Operations	50,000	New
15	Finance	Budget Prep. Module	Government Operations	25,000	On-going
16	Social Services	Elderly Cooperative	Economic Development	43,000	New
17	Legislative Counsel	Bankruptcy Project	Economic Development	20,000	New
18	Chief Secretary	Safe Building Program	Economic Development	65,000	New
19	Health Services	Hosp. Information Systems	Privatization	30,000	New
20	Education	Curriculum Development	Government Operations	57,900	New
21	Chief Secretary	Comm. Develop. Officer	Government Operations	23,600	New
22	Health Services	Public Health Training	Government Operations	30,000	New
23	Health Services	Primary Health Care	Government Operations	60,000	New

Republic of the Marshall Islands
FY 1986 Technical Assistance Program
(continued)

Priority	Ministry	Project Title	Program Area	Cost	New or On-going
24	Resources & Develop.	Fish Marketing Survey	Economic Development	67,000	New
25	Finance	Cash Management Phase II	Government Operations	25,000	New
26	Social Services	Grants Management	Government Operations	15,000	New

1986 Capital Improvements Requirements for Kwajalein Atoll

Project: **Ebeye Dock Emergency Repair**

Amount Requested: **$680,000**

Description:

The deep water pier at Ebeye was a C.I.P. project designed and construction managed by the Army Corps of Engineers in 1981. It replaced an older shallow water pier and has allowed supply ships to offload goods directly on Ebeye rather than have to rely on offloading on Kwajalein Island, which was a strain on KMR resources; and transhipment to Ebeye, which added to the cost of goods.

However the dock was designed for smaller ships than are now calling there and has received major damage during docking operations, including the collaspe of one dolphin , and the imminent collaspe of the remaining one. The dolphins are used to moor the ships and once the second dolphin collaspes (it is being supported by only two intact concrete piers out of the 6 original supports) supply ships will not be able to dock at Ebeye. This will cut off food and supplies except through KMR, meaning a return to the previous undesirable situation of off loading on Kwajalein and transhipping to Ebeye.

In February KADA engaged an engineering firm to make a damage assessment and cost estimate for repair. Their report indicates that repair costs will amount to $680,000 if the work is undertaken before further damage occurs.

Project: **Power/Desalination Plant**

Amount
Requested: **$1,000,000**

Description:

The design for the Power/Desalination Plant is nearing completion, the first two generators and ancillary equipment have arrived on island, and site work has commenced on the facility. Costs for this work are being covered by existing KADA funding. However there will be a shortfall of approximately $1,000,000 for the purchase and installation of the important desalination plant portion of the project which will be underway by early next year.

In order to eliminate the dependance of Ebeye on barged water from Kwajalein, it is imperative that this project be completed as soon as possible. With the funding requested the plant could go on line as early as December 1986.

Project: **Third Generator Purchase**

Amount
Requested: **$2,250,000**

Description:

Phase One of the Power/ Desalination Plant Project, now underway, calls for the initial installation of two generators necessary to carry the island power load for the immediate future. However projections show that shortly after the plant comes on line power demand will be such that both generators will be running full time. Proper power plant procedure requires that there should always be one engine idle for maintenance downtime and emergency backup. In addition while the initial two engines will allow for production of approximately 140,000 GPD of fresh water,the third generator would boost that amount to a potential 300,000 GPD when required.

KADA has a guaranteed price option on the third engine that must be exercised by December 1986 at which time the price is projected to jump considerably. Moreover the most cost effective time to install the third engine would be when the contractor for Phase One is still mobilized and this meshes with a 1986 purchase schedule.

Project: **Causeway**

Amount
Requested: $7,500,000

Description:

Besides the power/desalination plant the other pivotal element of the development plan is the Causeway Project. Virtually all other projects hinge on the expeditious implementation of this project which will connect six adjacent islands to Ebeye thereby opening up new land for schools, housing relocations and other key aspects of the pian necessary to releive the overcrowding problem on Ebeye.

The estimated cost for the total project is $15,000,000. An Environmental Impact Statement is nearing completion for the project and engineering work should be completed by November. This would allow for phase one construction as early as December 1985. To properly expedite the development of this project 7.5 million must be identified now to initiate the first phase of construction

Project: **Sanitary Land Fill**

Amount
Requested: $500,000

Description:

At present trash and garbage are being dumped at the north tip of Ebeye Island in an area only partially protected from wave action. Consequently trash is often washed into the lagoon thereby polluting it. Moreover, the exposed garbage is a breedingground for insects and vermin, exacerbating the health problem. A sanitary landfill is required to alleviate this condition. The landfill will be created by using large coral rock as a revetment to contain the dump area. Proper landfill procedures which call for burning and coverage of raw garbage with layers of dredged coraline fill will be instituted.

This will be an ongoing project which will progress adjacent to new causeway in phases. As new land is created by topped off landfill, it will be developed into much needed recreational areas. The initial phase of this project is to upgrade and develop the existing dump area at a cost of $500,000 in 1986.

Project: Elementary and High Schools

Amount
Requested: Ebeye Elementary- $200,000
Ninge High School - $200,000

Description:

The school system on Ebeye consists of one public elementary school, a headstart program and several small private church schools. No public high school facility exists for the 8,500 population. Eligible students must go to schools in Majuro 250 miles away or Jaluit 120 miles distant and board at public schools there just to receive a secondary education. This is a serious detriment to the ongoing development of the population.

The elementary school consists of 4 classroom buildings. Three were built as temporary structures years ago and are beyond rehabilitation. The fourth building is of concrete block construction but is badly in need of renovation. No working toilet facilities exist at the site for the 900 plus students.

To upgrade the elementary school facility a new 8 classroom masonry building will replace the wooden structure now housing the 1st and 2nd graders, which is a major hazard, and the existing concrete block building will be renovated.

The cost of these projects is estimated at $700,000. Funds in the amount of $500,000 have been identified but must obligated by September 1985. This leaves a shortfall of $200,000 which is the amount of this request.

The High School is a major priority both for the Kwajalein Local Government and the National Government since it will not only offer secondary education to the Ebeye population but releive the pressure on the nation's two other high schools as well. This school would be built on Ninge Island once the causeway is in place. To expedite this much needed project planning and design are a piority for 1986 requiring $200,000 in funds.

Project: **Emergency Housing**

Amount
Requested: $400,000

Description:

In February 1983, a major fire occured ultimately destroying 16 houses and leaving 300 people without shelter. These families were to temporarily be located in the community shelter building. Since that time they have had to remain there because no housing alternatives have become available. They live in one large concrete room with only four foot partitions between each familiy's space. All share one water spigot and a gang toilet outside.

Sixteen housing units are proposed for construction at a cost of $25,000 each to be implemented as soon as funding can be secured.

Project: **Intra- Atoll Development**

Amount
Requested: $250,000

Description:

There are four other islands within the atoll which have populations besides KMR and Ebeye. These Islands are almost totally isolated from Ebeye due to a lack of any scheduled water transportation system among them. This has resulted in 350 people ofSanto who are the Marshallese workers on Roi

Namur and their families, being totally dependent on Roi Namur for food and supplies. There is not even a single store on Santo. Ebaden, the largest island in the atoll has only 70 occupants because field trip ships call so infrequently that few want to live there. Ebaden along with Carlos and Carlson islands could become valuable contributers to the overall economic development of the atoll through agriculture and other endeavors were a transporatation system established. Moreover residents of those islands now living on Ebeye may be more willing to move back were access to the schools and medical facilities on Ebeye more accessable.

To encourage more development on these islands KADA would like to purchase a sixty foot cargo/passenger vessel for scheduled weekly supply trips. Costs are estimated at $200,000 for boat procurement and $50,000 for the initial year of operation after which time it is anticipated the system could become self sufficient as outer island development begins to take hold.

Project: **Fuel Farm**

Amount Requested: **$2,000,000**

Description:

Once the power/desalination plant becomes operative in December 1986, it will require approximately 10,800 gallons of fuel per day. Presently there is only one supplier on the island that is capable of suppling this oil using his own tanks. However there are several suppliers of oil who would be willing to bid on supplying the plant's needs who have no storage facilities on the island. Consequently the plant will be forced to accept the price offered by the on-island supplier unless the Authority builds its own storage tanks. Experiences in other islands of the area with similiar situations show that considerable savings in oil pruchases can be acheived where competitive bidding on shipments is conducted. Funding for this project in 1986 would mean that it could be built concurrently with the power plant and allow for maximum economy of operation when the plant opens.

Project: **Fire/Police Facility**

Amount Requested: **$1,185,000**

Description:

The existing public safety building was badly damaged in a typhoon several years ago and should be condemned. At this time however the building is still being used as a police station, jail, and courtroom. Ebeye has no fire fighting station or trucks. As an interim solution, a surplus brushfire truck from the U.S. Forestry Service will be received this year but it will be inadequate to meet the community's needs beyond anything larger than a small fire.

A completly new facility is required to house these functions and adequate fire fighting equipment must be purchased. Otherwise Ebeye will remain the disaster waiting to happen it is today.

Project: **Water Distribution System**

Amount Requested: **$785,000**

Description:

Development of the residential and commercial areas opened up by Phase One of the causeway will require installation of a new water distribution line up the causeway. The most expeditious and cost effective time to install this line is concurrent with the causeway construction to avoid digging up the causeway road later. Cost of this intital phase of the water distribution system extension is $655,000.

Project: **Public Works Facility**

Amount
Requested: $750,000

Description:

The existing Public Works facility is a badly deteriorted complex of buildings located in the center of the island at the main crossroads of the town. The existing power plant, which is a part of this operation, is adjacent to the Elementary School and is a major noise and air polluter. Once the new power plant is in operation and the old plant no longer needed, the public works facility should be moved to an area adjacent to new plant and the land it is now occupying reclaimed for development of the elementary school which presently has no room for expansion.

To maintain the schedule of development the new Public Works Facility should be ready for occupancy by Decemebr 1986, the projected date for the opening ot the new power plant.

Summary:

Emergency Dock Repair:	**$ 690,000**
Power/Desalination Plant:	**1,000,000**
Third Generator:	**2,250,000**
Causeway:	**7,500,000**
Sanitary Landfill:	**500,000**
Elem. School:	**200,000**
High School:	**200,000**
Emergency Housing:	**400,000**
Intra Atoll Description:	**250,000**
Fire/ Police Facility:	**1,185,000**
Fuel Farm:	**2,000,000**
Water Distribution:	**655,000**
Public Works Facility:	**750,000**

TOTAL REQUESTED..$17,700,000

March 31, 1986

The Honorable Amata Kabua, President
Republic of the Marshall Islands
Majuro, Marshall Islands 96960

Dear Mr. President:

Thank you for your letter of 18 March 1986 inviting my advice on requests and testimony for the U.S. Congress appropriation hearings in April and May of this year.

I too believe that the Marshall Islands requests will be more effective if the delegations are unified.

On this date I have submitted material to the Budget Office concerning the needs and priorities of my constituents.

Sincerely,

Evelyn Konou

Evelyn Konou

The people of Jaluit are grateful that the U.S. Congress has provided approximately $1.7 million for a new dock at Jabor, Jaluit. We believe that the funds appropriated will provide a substantial dock which will serve a variety of ships for many years. The dock will facilitate many kinds of development and private investment.

Considering the emerging trends in overall Jaluit Atoll social, economic, and political activities, the growing population and the volume of government and private activity now and in the near future, Jaluit must be looked at as the third developing urban center in the Marshall Islands. Majuro and Kwajalein (Ebeye) have been the two main urban centers since the end of WWII.

With the passage of the Compact of Free Association and the $1.7 million the U.S. Congres has given to the Jaluit dock, we believe very strongly that the level of government and private business activities will increase tremendously within the next few years. The level of construction now scheduled to go to Jaluit starting this year will generate new and greater interest on the part of many business ventures from both within and without Jaluit and the Marshalls.

We are very pleased to note that the first phase of the Jaluit dock construction and planning are now underway. In connection with this we are also very pleased to note that the newly elected Jaluit Atoll Council has passed a resolution, their first resolution of their term, endorsing the Jaluit dock construction, and urging the Marshall Islands Cabinet and Marshall Islands Development Authority to see to it that the U.S. congressional funding for this dock is used to erect and construct a "strong and solid dock."

With respect to development in the private sector scheduled to go to Jaluit within this year and next, we are happy to report that Mobil Oil has submitted its proposal to build a bulk plant in Jaluit which will distribute diesel, gasoline, and kerosene in Jaluit and the South Marshalls. This proposal has been approved by the people of Jaluit, their traditional leaders, their Council, and just recently by the Marshall Islands Cabinet. We would like to point out that the Jaluit dock and the Mobil bulk plant are very compatible in the overall economic development of Jaluit Atoll as the new emerging urban center.

In other private development, the Bank of Guam has expressed interest in setting up a branch in Jabor, Jaluit. They, too, are encouraged with the emerging level of business and government activities which are beginning to take shape on Jaluit.

We are also happy to see that the post office is strongly interested in setting up a branch for Jabor. All these essential services scheduled to go to Jaluit are a recognition of the growing trend toward developing Jaluit as a real center for government and business alike.

It is also encouraging for us to learn that the largest privately owned business in the Marshalls, Robert Reimers Enterprises, Inc., has made known its intention and plan to establish a major commercial branch on Jabor as soon as the Jaluit dock is completed. This is local business providing local investment for Jaluit. It is significant to note that in our effort to develop Jaluit as a major center for business and government, we are not only seeking outside aid, but we equally seek aid from our own people and resources.

After consulting with the local government leaders and constituents, we believe the next priority for Jaluit is a reliable electical power system.

A new power system will encourage the redevelopment of the fishing industry which was very active in Japanese times. Ice machines and a freezer would allow fishermen to preserve their catch for shipment to Majuro, Kwajalein, and outside the Marshalls.

Hotels and other commercial enterprises will follow reliable power.

Existing facilities such as the Jaluit High School will greatly benefit from power. At this time Jabor has not had regular power for over six months.

The present generator is WWII vintage. Another used generator was sent to Jabor in February, 1986 but it is not operational and should be considered only a stopgap measure.

As youth we remember Majuro with very restricted power. Jabor, Jaluit's center, reminds us of Majuro 20 years ago. We believe that Jaluit development will take off as has Majuro's following electrical power.

Therefore in our revised plan we ask for $500,000 for design of a power plant and distribution system, $4,000,000 for the power plant, and $1,000,000 for distribution.

The final determination of funding requirements will be made after the design is done. However we have scaled down our request based on amounts spend on Majuro and Ebeye, and noting that Jaluit is the Marshalls' third most populous atoll.

The $4,000,000 estimate for the power plant is based on slow-speed engines and at least two megawatts capacity.

We would like to see a power plant which is efficient, reliable, and easy to maintain. We ask that funds be granted first to evaluate approaches such as the heavy fuel engines used on Majuro and Ebeye, and to do the architectural and engineering drawings.

As we mentioned earlier, Mobil Oil Micronesia, Inc. is actively working to set up a distribution facility on Jabor. This will relieve the power plant of the requirement for extensive storage tanks.

We are urging that Jaluit be developed for its own sake but we note that Jaluit projects will help relieve crowding on Majuro and Ebeye. We submit that with the help of the U.S. Congress and the Government of the Marshall Islands, Jaluit infrastructure development will not only help relieve population pressure now growing on Ebeye and Majuro, but a Jaluit urban community will also provide education at the secondary level, medical care, and commercial services for Jaluit and the neighboring South Marshalls.

We believe that the time is now to give these essential infrastructure projects very serious consideration; we believe they are in the right direction and given support they wil provide for a much-needed balanced community that will be enjoyed by a substantial portion of the Marhallese people.

While the Jaluit requests may appear large, we believe that the projects should have been completed under the Trusteeship. A gradual development over 40 years would have put Jaluit far ahead of its present economic condition.

Our revised priorities are outlined in the attached plan. We note the plan is only slightly revised from the one submitted by Chief Secretary Oscar deBrum last year in his presentations to U.S. Congressional committees.

JALUIT ATOLL DEVELOPMENT PLAN OUTLINE

PRIORITY	STATUS	DESCRIPTION
1.	Funded $1,700,000	DOCK The Jaluit dock was funded in FY 1985 and 1986 by the U.S. Congress. The total available is now about $1,700,000. Modifications of the Corps of Engineers design are now being considered. We

trust and expect final design and construction will proceed without delay. The Marshalls Capital Improvement Projects Office is administering the money. The Jaluit Local Government Council has a approved a preliminary design consistent with the spirit of the Corps proposal on which the funding request was based.

There may need to be a supplement to the funds already appropriated but we hope that will not be necessary, or can be handled in the Marshalls.

2.A Request
$500,000

POWER PLANT AND DISTRIBUTION DESIGN

The existing power system is inadequate to meet the current demand from the high school, government programs, and private customers. In addition it is on only 18 hours per day.

Upgrading the system will help tap the recognized fishing potential of the atoll, increase employment is fisheries, encourage tourism, and make possible other commercial development. High quality fresh fish is in high demand in nearby markets such as Majuro and Kwajalein.

2.B Request
$4,000,000

POWER PLANT CONSTRUCTION

See above

2.C Request
$1,000,000

ELECTRICAL DISTRIBUTION

The distribution system needs substantial improvement. Power must economically and reliably be delivered to customers as far away as Jaluit Island.

3. Request
$100,000

ELEMENTARY SCHOOLS

Five two-room elementary schools are needed in Jaluit Atoll. Many students are not getting effective education because their school buildings are literally falling down, and not safe. (They were made of steel).

4. Request
$290,000

LARGE LOADER FOR ROAD AND CLEARING WORK

The Jabor - Jaluit road is about 13 miles long. It is presently little more than a dirt track. A paved road will encourage the population to shift out of the Jabor urban area and encourage copra and other business to develop on the large amount of land available outside of Jabor. Pavement should be done when the airfield is paved.
The loader will also be used to clear land making

it easer to increase copra production or develop alternative crops.
First year's operation and maintenance included.

5. Request $250,000

DISPENSARY RENOVATION

Jaluit has a resident doctor and a "super dispensary" built a number of years ago. A more modern, but smaller clinic with some secondary medical services and a dental office is needed.
(The Jaluit communities outside Jabor lack dispensaries in four cases. Two dispensaries are new. The national government is requesting dispensary funding, and the senators endorse the need).

6. Request $250,000

AIRPORT

The Jaluit airport is a long one by outer island standards but it is very narrow and the surface is not smooth. It is well-oriented and situated just south of Jabor. Widening the airfield, lengthening it to 5,000 feet, and preparing it for paving a use as a water catchment will have many benefits.

It will better link Jaluit Atoll with the entire Marshalls and stimulate tourism, fisheries, and other business. The Airline of the Marshalls Islands will be able to land its big plane on an improved runway and gain a big increase in revenue.

7. Request $2,500,000

WATER CATCHMENT & STORAGE

Jaluit people suffered a great deal in the 1983 drought. Paving the runway and building reservoirs will make sure that customers in Jabor -- from the (boarding) high school to individual consumers have water in the critical winter period. Economic development is limited by the water supply.

The cost estimate is based on a scaled-down similar to Majuro's airport water system.

8. Request $1,250,000

ROAD PAVING

See #4. Road paving should be done when the airfield is paved for water catchment.

9. Request $100,000

PLANNING

Jaluit needs technical assistance to set up a master plan which best expresses the aspirations of the people and maximizes the use of available resources. While all of the basic needs listed here have long been requested by the Jaluit people, there is a need for a physical and economic plan upon which business and government can base decisions.

10. Request $2,000,000 SEWER

It is highly important that Jabor not be scarred by "benjo rows" and a polluted lagoon. While a good Jabor - Jaluit road and other developments will help cut down on population growth at Jabor, it will not cease. The increasingly urban character of Jabor makes a sewer highly desirable.

MARSHALL ISLANDS ECONOMIC CONDTIONS

Mr. DEBRUM. Mr. Chairman, since you have given us 10 minutes, I think we will be able to read the brief statement in 5 minutes and answer questions for another 5 minutes, with your permission.

Senator JOHNSTON. Yes, please.

Mr. DEBRUM. Thank you, sir.

Mr. Chairman, the basic thrust of our statement is that we look to the U.S. Government to honor the provisions of the Compact Act, Public Law 99-239. We note with appreciation that the administration has requested funding for some parts of the approved compact, but not the other provisions of the approved compact of free association programs.

I can begin our statement with a report on fiscal responsiblity since you have asked the conditions of the economic situations in the other governments.

This year, Mr. Chairman, for the second consecutive year, my government has operated its program in a very constrained manner and without deficit. We have been able to maintain fiscal integrity. We also discuss in our statement the improvements that we have made in our economy in the Marshall Islands in the past years.

These improvements have resulted in a gradual improvement in the standard of living for the Marshallese people, as well as an increase in local revenues.

MARSHALL ISLANDS HEALTH SERVICES

We also wish to point out that there have been improvements in the government's health service program. We have completed the new Majuro Hospital, and we have contracted with Mercy International Health Services to help us with their professional staffing, as well as to maintain and operate the hospital.

With the new hospital, Mr. Chairman, we hope to reduce costly medical referrals and provide better health care locally not only in the area of curative medicine, but preventive medicine as well.

We hope now that with the new hospital, new equipment, and new personnel, and assistance through the technical assistance program, we will be able to maintain that hospital.

We want to thank this committee for the help that they gave us to acquire this new hospital.

Our statement also expresses the appreciation for the technical assistance that we have been receiving from the U.S. Government through Secretary Montoya's office. We are very grateful because through these assistance programs, we have been making improvements in both government financial operations as well as in other government program areas.

ADDITIONAL COMPACT AUTHORIZATIONS

The administration, as I mentioned earlier, is requesting funding for the provisions of title II of the compact on the investment development fund. However, as I expressed earlier, we are somewhat disappointed to note that the administration request fell short on other provisions of the Compact of Free Assocation Act of 1985 as approved by the U.S. Congress.

Mr. Chairman, when the Government of the Marshall Islands Nitijela, the National Parliament, ratified the compact on February 18, 1986, after the United States Congress had approved it, it did so with the understanding that the United States would implement the compacts as set forth in the Compact Act.

In order that the United States fulfill its commitment made to my country, we would ask that the programs authorized by the Compact Act be restored to the 1987 budget.

You will note that these programs address unfinished business of the trust territory administration, such as medical services assistance, as well as assistance to the radiologically affected people of Bikini and other atolls of the Marshall Islands.

One of these programs is transitional in nature, Mr. Chairman. This is the request for a continuation of the Federal education programs. The Compact Act provided a 3-year transitional period during which Federal education programs would be decreased and withdrawn.

Regretably, the administration has not requested an appropriation for such programs. For the current school year, Mr. Chairman, Federal educational grants pay for 65 percent of the educational services in the Marshall Islands. This transitional funding is absolutely necessary if our school is to operate without interruptions.

CAPITOL RELOCATION

In addition to these programs, which are specified in the Compact Act, my government is also requesting funding for the construction of a capitol building and a permanent facility in Majuro for the College of Micronesia School of Nursing. In previous years, Mr. Chairman, the U.S. Government has authorized funding for both of these projects.

MARSHALL ISLANDS COMMUNITY PROGRAMS

Several communities in the Marshall Islands have requested supplemental programs, such as programs for Jaluit and Taongi Islands, as they have done so in the past. We have identified these programs in a long list that we have submitted to you.

FEDERAL PROGRAMS CUTOFF

Mr. Chairman, a final point. A significant change is taking place in the relationship between our two countries. This transition will be a major undertaking for my country.

We have looked to the compact as an opportunity to restructure government services in a way that it will develop greater self-reliance for our nations. With the provisions of the compact, we will move away from the general grant programs that have fostered dependence, to programs and assistance that are developmental in character.

You can appreciate that a change of this sort is not going to be easy. However, it must be faced.

I know that you are aware that several of the Federal grant programs have been suddenly halted in the Marshall Islands with little or no advance warning to us. One such program was the Job Partnership Training Act program which is specifically authorized by the Compact Act to continue in the Marshall Islands.

To ease the transitional process, we would ask that this program and other Federal grant programs now operating in the Marshall Islands be allowed to continue uninterrupted until the compact goes into effect. Apparently through an oversight, Public Law 99–178 suspended Federal grants to the Marshall Islands for health, education, and labor programs, and we ask that this section of the law be repealed.

Mr. Chairman, there can be no such thing as partial implementation of the compact, just as there was no such thing as partial approval for the compact. We wish to proceed with the implementation of the compact. We ask for your support for the compact programs we have requested. We ask for continuous support for these programs from this committee. They may fairly be considered an integral part of the compact negotiations between our countries.

I would like to also thank you for this opportunity and express appreciation for my government and its people, from President Kabua for your continued support and understanding of our problems in Micronesia, specifically in the Marshall Islands.

Thank you sir. We will be very happy to answer any questions you might have.

Mr. Chairman, I am here accompanied by—to my right, my secretary of finance, Mr. Al Fowler; Mr. Jim Ley to his right, program and budget officer; Mr. Carl Ingram, attorney for the cabinet and special assistant to the president.

We also have two distinguished gentlemen that accompany us, member of the upper house in the Marshall Island, the Honorable Tom Kijiner, minister of finance; and Mr. Wilfred Kendall, our representative in Hawaii, who is looking into areas in Washington where we can establish an office here so we can continue to maintain our close relationship and ties.

Thank you, sir.

Senator JOHNSTON. Thank you very much, Mr. DeBrum for an excellent statement.

I might point out that the problem with the Health and Human Services appropriation was an inadvertent error. We have an agreement to fix that error in the fiscal year 1986 supplemental.

I hope the supplemental is going to be able to pass. It has run into a problem over in the House, as you may be aware. But, we do have an agreement to fix it at that time.

As I pointed out again, and I repeat, we do have a great problem with Gramm-Rudman, but we will certainly do our very best to fund your high priorities and to live up to the compact.

Thank you very much, gentlemen, we appreciate your coming.

SUBCOMMITTEE RECESS

The subcommittee will stand in recess until 2 p.m. this afternoon, at which time we will review the fiscal year 1987 budget requests of the Office of Territorial and International Affairs.

[Whereupon, at 12 noon, Thursday, May 1, the subcommittee was recessed, to reconvene at 2 p.m., the same day.]

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(AFTERNOON SESSION, 2:26 P.M., THURSDAY, MAY 1, 1986)

The subcommittee met at 2:26 p.m., in room SD–192, Dirksen Senate Office Building, Hon. James McClure (chairman) presiding.

Present: Senator McClure.

DEPARTMENT OF THE INTERIOR

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS

STATEMENT OF RICHARD T. MONTOYA, ASSISTANT SECRETARY

ACCOMPANIED BY:

- **FRANK X. SOLOMON, DIRECTOR, TECHNICAL ASSISTANCE**
- **DAVID H. HEGGESTAD, BUDGET OFFICER**
- **JANET McCOY, HIGH COMMISSIONER, TRUST TERRITORY OF THE PACIFIC ISLANDS**
- **CHARLES JORDAN, DIRECTOR, CAPITAL IMPROVEMENT PROGRAM**
- **ELOY INOS, DIRECTOR, FINANCE AND ADMINISTRATION AND HEAD OF FEDERAL GRANTS**

BUDGET REQUEST

Senator MCCLURE. The committee will come to order.

This is the time scheduled to review the fiscal year 1987 budget request for the Office of Territorial and International Affairs [OTIA].

For administration of territories accounts, OTIA has requested $71,529,000, a decrease of $4.93 million, or 6½ percent, from the fiscal year 1986 adjusted level.

For the "Trust Territory of the Pacific Islands" account, OTIA has requested $13,050,000, a decrease of $63,405,000, or 83 percent, from the fiscal year 1986 adjusted level. OTIA is basing this reduction on the enactment and requested funding of the compact of free association.

The fiscal year 1986 supplemental request for the compact is $178,750,000, and totals $144,300,000 in fiscal year 1987.

This morning, the subcommittee took brief testimony from each territorial government and I appreciate the time that Senator Johnson devoted to that effort, as well as the time of the witnesses. Since it is a long way from Micronesia, it's difficult to get to Washington and nonetheless, we do appreciate your devotion and we appreciate hearing your perspective.

Testifying on behalf of the Department today is Mr. Richard Montoya, Assistant Secretary of Territorial and International Affairs.

PREPARED STATEMENTS

Would you come forward and please introduce those who may be testifying with you? Your full statement will be inserted in the record. We can then proceed directly to questions.

[The statements follow:]

STATEMENT OF RICHARD T. MONTOYA

I am pleased at the opportunity to appear before you to discuss the President's fiscal year 1987 budget for Territorial and International Affairs.

This years' budget request reflects dramatic changes from prior budgets. We are finally reaching the point of implementing Compacts of Free Association for the Micronesian governments and, through a transition process, closing down the Government of the Trust Territory of the Pacific Islands. I will discuss this in more detail later in my statement, but would like first to turn your attention to our budget for the U.S. Territories.

Administration of Territories

For the Administration of Territories, we are requesting $71,529,000. Given the expressed desire of both the Administration and this Congress to reduce the Federal deficit, I believe this request is appropriate and one that I am proud to support. The U.S. Territories of Guam, American Samoa, the U.S. Virgin Islands and the Northern Mariana Islands have fared well in this year's budget process. This request is fully consistent with and complementary to our program of seeking out and implementing new ways to improve the overall efficiency of government operations; reduce the size of governments through privatization; and promote economic development and real growth in the territorial economies through diversification of the economic base.

Guam

For Guam, we are requesting $3,500,000 for improvements to the water distribution system. We continue to recognize poor water distribution as the primary infrastructural hindrance to economic growth in Guam, and to improving the quality of life for rural residents. Through our technical assistance program we are continuing to fund a Bureau of Reclamation engineer stationed in Guam who is working closely with the Public Utility Agency of Guam to improve the water systems.

Guam currently is experiencing an economic boom unprecedented in its recent history. Construction activity in 1985 doubled and was greater than the combined levels achieved in 1981 through 1983. Unemployment also continued to decline for the third straight year. These statistics indicate that Guam is facing a unique opportunity. Properly managed the benefits of this economic growth could lead to continued economic prosperity for Guam.

I am pleased with the initiative recently taken by Guam to prepare a Deficit Elimination Plan. This plan is designed to eliminate Guam's $90 + million deficit over the next 5 years. Privatization and improving the efficiency of the government through cost containment measures are basic tenets of the plan. I hope the Guam legislature shows initiative in their deliberations on this plan.

American Samoa

For American Samoa, we are requesting $23,506,000. This includes $20,776,000 to support government operations and $2,730,000 for capital improvement projects.

This is the third consecutive year that we have requested no increase in the operations grant. We do not believe this imposes a hardship on the people of American Samoa, but rather it reflects the Federal and local governments' mutual dedication to achieving greater efficiency in government and increased self-reliance and continuing the privatization program to expand the private sector and reduce the size of the government. I am committed to continuing my close working relationship with Governor Lutali and providing him a full range of assistance to ensure the success of these programs.

We are requesting $630,000 to help expand the Tafuna industrial park. The Tafuna area is centrally located in American Samoa, is near the Airport and is ideal for future economic growth and new development. The funds requested will not complete development of the industrial park; however, they should help generate new revenues, which in turn can be used for further expansion. In addition, the Economic Development Administration has also expressed an interest in contributing funding for this project.

Like the other territories, American Samoa needs to improve the efficiency and quality of its water system. We are requesting $1,050,000 for several improvements that must be made immediately to the system. The total cost to complete the water master plan ranges between $8 million and $10 million. We will continue to support additional improvements to the system as long as American Samoa continues its efforts to improve the accountability for water in the system and collections of billings to water users. This combined effort is the only way to ultimately resolve water system problems and provide the revenues necessary for normal maintenance and future improvements.

A matter of immediate concern in American Samoa is the poor condition of the Tafuna Correctional Facility. I have toured this facility and can attest to the need to make improvements. Current conditions represent a threat to the health and safety of both inmates and the general public. We are requesting $750,000 to help correct this problem.

Finally, we are requesting $300,000 to perform an engineering feasibility and environmental study of Pala Lagoon. Pala Lagoon lies adjacent to the Tafuna plains, which I have already mentioned as the most promising site for economic expansion. Development of a deep water port would be a tremendous boon to economic development. It could also relieve congestion and overcrowding at the existing port and eliminate a potentially serious safety hazard created by the current location of oil and gasoline storage tanks adjacent to the downtown port area. However, this project presents major engineering and environmental issues that must be addressed before any kind of construction or construction financing can be considered. These funds will be used to perform the required analyses and help American Samoa resolve these issues.

Northern Mariana Islands

For the Northern Mariana Islands, we are requesting $35,344,000. This amount represents the second year's funding as agreed to with the Northern Mariana Island's government during negotiations on a second seven-year funding agreement. Approval of this funding agreement is pending before the Congress and I have testified on several occasions as to the necessity of enacting the agreement as soon as possible without substantive changes. We, very soon, will undertake formal discussions with representatives of the Northern Mariana Islands Government on various non-financial issues that the Northern Mariana Islands Government has indicated need to be addressed as provided under the Covenant. I have been appointed by President Reagan as his Special Representative in these discussions.

The Northern Mariana Islands, like Guam, stand on the threshhold of an economic boom. This economic growth must be managed in such a manner that the island residents become the beneficiaries and not the victims of this development. We believe the new agreement helps to provide such a framework by giving the government greater control in directing this growth through its Commonwealth Development Authority and by encouraging a more efficient government and a shifting of people out of the public sector and into the private sector.

An area that continues to be of great concern to me is the large influx of alien labor that is accompanying the boom. I fear that if this stampede is not controlled, the benefits and the economic future of the Northern Mariana Islands and other similar Pacific regions may end up in foreign hands.

U.S. Virgin Islands

For the Virgin Islands, we are requesting $2,900,000 to improve the water distribution system in Charlotte Amalie. We believe this project is critical to an island economy dependent to a large extent on the tourism industry. It is also crucial to the health of residents and visitors.

During the past year, we have been much more involved in providing direct assistance to the Virgin Islands. This has been undertaken at Governor Luis' request with support from the legislature in an attempt to control the rising deficit in the Virgin Islands and to improve government efficiency, particularly in the areas of financial management and computerization. I am pledged to continue this support and commitment. However, the ultimate responsibility for making the necessary and tough decisions remains with the Virgin Islands government.

Territorial Administration

For our own administrative costs, we are requesting $6,279,000. Of this total, $2,473,000 is for salaries and expenses of office staff. I am particularly proud of the field representative positions we have created over the past two-and a-half years. During the past year, we selected Tony Palomo, a Guamanian, as our representative in Guam. He joins Bob Bunn and Dale Jones who have been representing us in the Virgin Islands and American Samoa, respectively. We will be choosing a representative for the Northern Mariana Islands in the next few weeks. This selection will complete our field staff in the U.S. Territories.

We are also requesting $2,200,000 for the technical assistance program. I have alluded several times throughout this statement to our pledges of assistance. The technical assistance program is the key ingredient to the successful implementation of our policy. I believe that this request is sufficient to meet all of our major program objectives and is one of the best investments we can make in the territories.

Finally, we are requesting $1,606,000 to pay the interest rate subsidy to the Federal Financing Bank for their loan to the Guam Power Authority. The request is equal to the scheduled payments required in fiscal year 1987, but some of the funds will be used to pay off the balance owed on fiscal year 1986 payments because of cutbacks required by the Gramm-Rudman-Hollings legislation. We are working within the Department to seek a resolution to this problem.

Trust Territory of the Pacific Islands

Our budget request of $13,050,000 for the Trust Territory is smaller than in prior years because funding for the Federated States of Micronesia and the Republic of the Marshall Islands is being requested under a new appropriation account for the recently enacted Compact of Free Association.

Our request for the Trust Territory includes $10,600,000 for continuing operational support to the Republic of Palau. Recently, the people of Palau approved their version of the Compact, which is now pending Congressional action. Upon enactment, we will amend our budget to reflect Compact funding for Palau.

The budget request also includes $2,450,000 for administrative costs of the Trust Territory Government. This request is also subject to amendment if all three governments are under Compact in FY 1987. Even so, we still foresee the need for some funding to provide for transition and close-out of the Trust Territory functions.

The fiscal year 1987 budget request for the Trust Territory does not contain funding for the resettlement of Bikini. As you know, the March 1985 settlement agreement negotiated and signed by the United States and the Bikinians, reaffirms the United States commitment under the Compact to provide funds for the resettlement of Bikini. However, the agreement also sets forth certain events that must have taken place prior to the United States implementing the Compact provisions. These events include the submission of a final report by the Bikini Atoll Rehabilitation Committee, acceptance of the report by the Bikinians, and development of a resettlement plan by the United States in consultation with and acceptable to the Bikinians. Since these events have not yet taken place, no funding has been requested for this purpose in fiscal year 1987. I assure you that this in no way indicates that we do not intend to honor this commitment at the proper time. The fiscal year 1986 appropriation provided funding and directed the Secretary of the Interior to contract for the initial design and planning for a base camp on Eneu for the cleanup of Bikini. The Bikini Atoll Rehabilitation Committee report of March 31, 1986, again stated that the island of Eneu is safe for resettlement. As a result, the Department, very shortly, will issue an announcement of a Request for Proposals for design and planning of the Eneu base camp. This action is being taken after consultation with the Bikinians, the Bikini Atoll Rehabilitation Committee, and members of the subcommittee staff.

Compact of Free Association

The FY 1987 request for the Compact of Free Association is $144,270,000. Although this amount represents the second-year's funding for the Federated States of Micronesia and the Republic of the Marshall Islands, the Compact will not be implemented until the fiscal year 1986 supplemental appropriation is passed. Therefore, we cannot report to you on accomplishments or problems associated with the Compact as we will do in future budget presentations.

Of the total request, $116,350,000 is estimated for permanent indefinite appropriation. This represents payments to be made to the Freely Associated States that are backed by the full faith and credit of the United States. Capital account funding will provide for the implementation of Economic Development Plans prepared by the governments and approved by the United States. Current account funding will help support on-going government operations. These funds are adjusted each year for the effects of inflation according to a formula developed in the Compact negotiations.

In addition, the Marshall Islands receives a guaranteed annual payment of $1,900,000 to offset the impact of United States military activities in the Kwajalein Atoll area.

Both governments also share in guaranteed annual funding of $5,370,000 for post-secondary scholarship programs, medical referral costs, other medical and health-care expenses and costs associated with maritime surveillance and enforcement programs.

For annual appropriations, which are not subject to the full faith and credit provision, we are requesting $27,920,000. This includes $10 million in program grant assistance to help fund government activities in the education and health-care areas, based on the priorities of the respective governments. The remainder of $17,920,000 represents continuing services provided by Federal departments and agencies. This includes diplomatic training at the Foreign Services Institute; continuance, until completion of their academic term, of student grants at post-secondary institutions which were in effect on the effective date of the Compact; and direct services provided by the U.S. Postal Service, the National Weather Service, and the Department of Transportation.

That concludes my statement, Mr. Chairman. I will be glad to answer your questions or discuss any of these issues in more detail.

Statement of Janet J. McCoy

It is indeed a great pleasure and honor to appear once again before this Subcommittee to discuss the Trust Territory's appropriation request for fiscal year 1987. With me today are Eloy Inos, our Director of Finance and Administration, and Charles Jordan, our Director of Capital Improvement Programs.

A year ago today, I appeared before this Subcommittee and testified on the Trust Territory's appropriation request for fiscal year 1986. In my testimony, I briefly reported the progress of our administration in the Trust Territory and apprised the Subcommittee on the status of our transition efforts as we near the termination of the Trusteeship administration. Today, I am proud to report that the objectives we set a year ago have been met and substantial progress is currently underway to enhance the final stage of our administration efforts. Before I discuss the fiscal year 1987 budget, please permit me to report on current developments in the Trust Territory.

Capital Improvement Programs. To date the U.S. Government has provided over $360 million for the development of infrastructure in the Trust Territory. From this generous contribution some 94 projects totaling over $288 million have been completed and are now under the management, operation, and control of the new governments. About 70 projects with the remaining funds of $72 million are actively underway and will soon play an integral part in providing adequate infrastructure for continued social and economic development of the islands. As in previous years, we believe that the U.S. contribution for capital project developments in the past plus capital development funds earmarked under the Compact will provide the new governments with adequate infrastructural resources to support sound social and economic development programs.

Health and Education. We are continuing vigorously with our responsibilities in the monitoring of the multitude of health and education programs in the Trust Territory. I must say that these governments ought to be commended for taking the major role in establishing their priorities and in implementing the necessary programs consistent with those priorities.

In the area of health, we are pleased to inform the Subcommittee that there have been no new cholera cases reported in Truk or other parts of Micronesia in almost two years. The cholera control programs and projects which were undertaken during the epidemic period have been very effective in preventing new outbreaks. The sewer and water projects are still in progress and upon completion, should provide for long term prevention of the disease. We will continue to monitor the situation and cooperate with the World Health Organization (WHO) in these efforts. Regarding leprosy or Hansen's Disease, as it is properly called, we have been cooperating very closely with WHO, the Center for Disease Control and Hansen's Disease Center of Carville, Louisiana, to establish control procedures and provide the necessary medication. We expect to have the situation stabilized in the near future through continued cooperative efforts.

Other diseases, such as tuberculosis, typhoid, etc., can be found in Micronesia as those same diseases can be found in most developing countries. However, the presence of those diseases are pretty well documented and their effects are minimal. At any rate, adequate resources and expertise are available and we are monitoring the situation constantly for new developments.

The health centers in Micronesia are operating at satisfactory levels and technical assistance is being provided in the many areas of expertise and operations and maintenance programs. In fiscal year 1986, Congress provided $4,756,000 for the construction of the Palau hospital. This project is currently being reviewed by Officer in Charge of Construction (OICC) and we anticipate the project to be advertised for bids within the next few months. The Majuro hospital funded by the Administration in the amount of $8,500,000, is now 99% completed. We expect the hospital to officially open for operation by early June of this year.

Substantial progress has also been made in the education programs throughout Micronesia. For fiscal year 1986, the U.S. Department of Education in the form of federal grant program assistance provided the sum of approximately $18,178,000. These funds are available to support aid to disadvantaged children, curriculum development, teacher training and staff development, and a host of other important programs connected with the development and improvement of the educational system in Micronesia. In addition, the Trust Territory Office of Education has provided from the grants received approximately $1.75 million to the local education agency of the Republic of the Marshall Islands for renovation of delapidated school buildings and for the construction of additional classrooms. In other local education agencies, renovation and construction are taking place at a smaller scale. Overall, I am convinced that the education programs in Micronesia have improved substantially during recent years. With the commitment toward continued improvement in the education programs, I am confident that the new Micronesian governments will achieve the level of educational systems for which they have strived for so many years.

TRANSITION

As you are aware, Mr. Chairman, in March 1985, the Department of the Interior approved the Trust Territory of the Pacific Islands Phasedown Plan which was implemented successfully during the period April 1, 1985 through September 1, 1985. Transition during that period was accomplished resulting in maximum staff reductions consistent with meeting our obligations prior to implementation of the Compact of Free Association. The implementation of that plan was successful and the goals and objectives were met with no noticeable disruption in the delivery of public services.

Recent passage of the Compact for the Federated States of Micronesia and the Republic of the Marshall Islands by the U.S. Congress and the subsequent approval by the President now provides us with greater certainty about the new relationship and enables us to plan in greater detail for transition. In consonance with this mandate, the Trust Territory Government has prepared an updated transition plan which will provide the basis upon which the remaining Trusteeship obligations and U.S. administration in Micronesian will be fulfilled on Compact implementation or shortly thereafter. This plan was submitted to the Department of the Interior in March of this year and is currently under review by the Office of Territorial and International Affairs. Briefly, the plan identifies the remaining two most significant missions of the Trust Territory as (1) completion of current capital improvement programs and (2) final closeout of federal grant program assistance and management.

Early approval and implementation of this updated plan will provide for the smooth transfer of the remaining responsibilities to the new governments and for the efficient discharge of our final closeout responsibilities pursuant to the goals and objectives set under the Trust Territory budget for fiscal year 1987.

THE FY 1987 BUDGET

Consistent with the Compact funding for the Federated States of Micronesia and the Republic of the Marshall Islands, the budget request for the Trust Territory of the Pacific Islands for fiscal year 1987 is $13,050,000. This request includes $10,600,000 for regular operations for the Republic of Palau, and $100,000, $300,000, and $150,000, representing Palau's share of current programs in the areas of prior service benefits, College of

Micronesia, and satellite communications respectively. In addition, $1,650,000 and $250,000 are provided for the transitional activities of the Trust Territory government and the Judiciary branch respectively.

The amount requested for Trust Territory operations for fiscal year 1987 is adequate and will provide for the continuing phase down of the Trust Territory operations as a result of the Compact of Free Association for the Federated States of Micronesia and the Republic of the Marshall Islands. Administrative functions of the Trust Territory government are being reduced to the minimum necessary to provide essential services to the Republic of Palau, until it is included under the Compact, and to continue performance of residual responsibilities that remain after implementation of the Compact.

The majority of these residual responsibilities are associated with monitoring and supervising the final liquidation of multi-year grant funds such as those provided for capital improvement projects. In addition, since the Trust Territory is considered the state agency for a majority of the federal grant programs currently administered in Micronesia, the Trust Territory administration is responsible for the final financial closeout of those federal grant programs that will terminate as a result of Compact implementation.

Thank you, Mr. Chairman, for the opportunity to testify on the Trust Territory's appropriation request for FY 1987. While this could very well be my last appearance before your Subcommittee as High Commissioner for the Trust Territory of the Pacific Islands, I trust that you and your colleagues will continue to provide the support necessary to fully discharge the Administration's responsibilities during the final days of the Trusteeship administration and throughout the Compact period.

This completes my opening statement, Mr. Chairman.

INTRODUCTION OF ASSOCIATES

Mr. MONTOYA. Thank you, Mr. Chairman.

Testifying with me today, or at the table, is Frank Solomon, Director of Technical Assistance, and Mr. Dave Heggestad, Director of our Budget Office. And I'll introduce our High Commissioner, Mrs. Jan McCoy, who will introduce her staff.

Ms. MCCOY. Mr. Chairman, it's nice to be here again. With me I have as my staff, on my right, Mr. Eloy Inos, who is my Director of Finance and Administration and head of Federal grants. And Mr. Chuck Jordan, who is the Director of the Capital Improvement Program [CIP].

GUAM POWER AUTHORITY RATES

Senator MCCLURE. You're all very welcome here today. Thank you very much.

The Board of Directors of the Guam Power Authority [GPA] passed a resolution in February of this year which would have transferred $1.8 million from GPA to the general fund and reduced rates by 10.57 percent.

The proposed use of the funds was unclear, but there was speculation that it was going to be used for a pay increase to Government of Guam employees.

Are you aware of that resolution and if so, can you give me a status report on it?

Mr. MONTOYA. Yes, sir; I am aware of it and I want to thank you and your colleague, Senator Johnston, for writing to GPA and backing me up on my concern about transferring $1.8 million from the Guam Power Authority into the general fund.

I have been quite concerned, Mr. Chairman, and I think I've conveyed to your staff my concern on the pattern that continues to exist—and it seems to become very apparent that these patterns happen every election year—that we start having pay raises for Government employees.

When you look at the deficits in all of the territories, you have to question how they can afford to continue to give themselves pay raises.

In the covenant that we consummated with Guam Power Authority, we talked about how those funds from GPA would be used. We talked about creation of a public utilities commission. And since we consummated that deal and they got their money, I have continued to have ongoing battles with the legislature in their attempts to either circumvent the intent of the covenant or to try to dilute the power of the public utilities commission.

I'm very concerned about it. You need to be aware, Mr. Chairman, that there's an action ongoing now by the legislature to reduce the water rates. The public utilities agency of Guam had increased their water rates through the public utilities commission [PUC]. Then the legislature rolled them back and moved to remove the water authority out of PUC. I don't think that's in good faith with our covenant. It's diluting that public utilities commission.

But I am aware of it and I am concerned about it.

Senator McCLURE. Is there a relationship between that latter action and proposed pay increases, as has been suggested by some?

Mr. MONTOYA. I think there is. Back to the original question on the $1.8 million, I think we were effective in getting our message across. GPA's board, the public utilities commission, this committee, through you and the ranking minority, as well as our office, are on record as being opposed to it. So I don't anticipate that taking place.

GUAM POWER AUTHORITY LOAN ASSISTANCE

Senator McCLURE. As a result of the sequestration order, funding for the interest rate subsidy due from Interior to the Federal Financing Bank [FFB] on the Guam Power Authority loan was reduced by $362,000. The subsidy and penalty interest must be paid at some point to keep Guam Power from being declared in technical default on their loan.

Has the Department been working with FFB to minimize the threat of technical default?

Mr. MONTOYA. Mr. Chairman, I don't think that we are facing a technical default, but, rather, a period of, my budget officer tells me, 7 to 10 days of penalty payments.

We have been looking at the problem, but, again, I don't think that there will be a technical default. We're going to try to provide that shortfall from within the Department.

Senator McCLURE. Well, what's the difference between a shortfall and a default?

Mr. MONTOYA. Default is if we had no way of coming up with the funds and that they would run into a period of time that FFB would become uncomfortable——

Senator McCLURE. My bank would get more than uncomfortable if I didn't pay what I was obligated to pay. That would make me more than uncomfortable.

Mr. MONTOYA. We accept the obligation and, of course, the FFB payment is contingent upon an appropriation. But I think there's good understanding on the part of the Federal Financing Bank that we're not going to allow them to hold the bag.

Senator McCLURE. In other words, you'll find the money somewhere else to pay it until they're capable of it.

Mr. MONTOYA. That's true.

Senator McCLURE. Do you know where you're going to find the money?

Mr. MONTOYA. Within the Department, Mr. Chairman, and my budget officer——

Senator McCLURE. I assumed it would be there somewhere, since you can't go anywhere else. [Laughter.]

Mr. MONTOYA. We were thinking, since we have such good relations with the State Department, we might be able to borrow some from State.

Senator McClure. Wanna bet? [Laughter.]

Mr. Montoya. Mr. Heggestad, do you have anything to add to that?

Mr. Heggestad. Mr. Chairman, we are paid up to date as of right now with the Federal Financing Bank. Our next payment is due in September. We will be $347,000 short of making that payment. But we don't accrue any kind of penalty interest against that until September 30. As long as we have either an appropriation or a continuing resolution as of October 1, we'll be able to make up that shortfall immediately out of the 1987 appropriated funds.

Senator McClure. Well, that only borrows against the future, doesn't it?

Mr. Heggestad. That's right. That would again put us in a problem the following September, which is why we're trying to make that up through our budget process and through our 1988 budget.

Senator McClure. And then you'll slip it into 1988.

Mr. Heggestad. That's right. We're sliding. We'll be sliding a few weeks on our payment schedule for the next year and a half in order to make that up.

Senator McClure. And what happens at the end of that year and a half? Will you then be able to stay current?

Mr. Heggestad. Unless we experience another situation where there are automatic reductions speared by Gramm-Rudman.

Senator McClure. Well, if you get automatic reductions because Congress doesn't do its job in making selective reductions——

Mr. Montoya. That's what I was going to——

Senator McClure [continuing]. Then you'll also have every other account within the Department affected, too.

Mr. Montoya. That's what I was going to mention, Mr. Chairman. Yesterday, or the day before, when we visited with your colleagues over on the House side, I mentioned that I have confidence in the Congress that they'll stay within those Gramm-Rudman targets.

Senator McClure. The people who doubt that have pretty impressive evidence on their side.

Mr. Montoya. Well, Mr. Yates made a comment or two about that.

Senator McClure. I can't imagine. [Laughter.]

I am concerned because if you're slipping behind and your method of meeting that shortfall is to borrow ahead, and the only reason you will have to continue to borrow ahead is because there would be automatic sequestration, you're going to be pressed harder and harder to find within the Department the funds that are necessary to borrow, aren't you, because those funds are affected by sequestration, too.

Mr. Montoya. That's correct.

Senator McClure. If it's funded from within the Department, will you use moneys that are only directed toward Guam or are you going to borrow funds from other sources?

Mr. Montoya. Yes; it would be borrowed from the next year's appropriation, Mr. Chairman, Guam's.

Senator McClure. Guam's?

Mr. Montoya. Yes.

Senator McClure. Guam, only. Sometimes there has to be a payment. Sometime you have to catch up.

Are you going to ask for a deficiency appropriation?

Mr. Montoya. I don't anticipate one.

AMERICAN SAMOA COMPUTER

Senator McClure. All right. American Samoa requested $2.6 million to install a state-of-the-art computer system. This system was designed to serve the government in various capacities, including budgeting, purchasing, and income taxes.

What are some of the problems American Samoa is having with the current system?

Mr. Montoya. Mr. Chairman, they have an outdated system that doesn't work, which is the long and the short of it. They have an NCR system that was more attuned to a banking function rather than a governmental function.

I'm not an expert in computers, but I know that Mr. Solomon and I have talked at great length about what the problem is in American Samoa.

What we're talking about is a system that just isn't tailor made to the needs of American Samoa.

What I've done, Mr. Chairman, is yesterday I met with Governor Lutali and I committed $500,000 in fiscal year 1986 technical assistance money to go ahead and put in a system that more closely fits their needs.

We feel that $500,000 represents a figure that can get them either well on their way or completely fill their computer needs for the near- and medium-term.

Senator McClure. How did we get into that situation? As I recall in just reviewing the record, the system was installed in 1984. Now we find out that it wasn't the right system.

Mr. Montoya. As I recall, Mr. Chairman, because it has been a little bit of time since we talked about the issue, they had a treasurer who came from Louisiana and he was accustomed to using an NCR system. We always revert to those systems that we're most comfortable with. And over our verbal objection, he talked the government into going forward with the NCR system.

Again, we cautioned them that it wasn't something where there was readily available software to keep up with the growing demands of the government's data requirements.

So as I can best recall, that's how we got into it. It was also an existing system that was put in in the late 1970's. So they felt like they could expand on an existing system.

AMERICAN SAMOA FINANCIAL MANAGEMENT SYSTEM

Senator McCLURE. Well, the justification we got from American Samoa was, and I'll quote from it, "In October, 1984, the American Samoan Government implemented a new financial management system authorized by Moore Data Systems, Inc."—I said "authorized." I think that's "authored"—of Baton Rouge, LA."

It also says it was installed in 1980. Is that correct?

Mr. SOLOMON. Mr. Chairman, if I may respond. The NCR computer, the hardware, as they call it, was installed in the late 1970's. 1980 is the correct date.

The problem they had with the equipment was that there are not too many software packages available for financial government accounting on that type of equipment.

The Moore Data software package mentioned in the American Samoa statement was one of the only companies that had a software financial package that would operate on the NCR equipment.

Unfortunately, it did not perform as expected. The company itself had some difficulties in that several of their key people were killed in an airplane accident and, as a result, this software package never really performed up to its standards.

Senator McCLURE. You mean only one set of persons knew anything about it?

Mr. SOLOMON. Apparently, it was a fairly small company, sir.

COMPUTER HARDWARE FAILURES

Senator McCLURE. The justification also states, and, again, I quote, "Frequent hardware failures are seriously affecting productivity."

The justification at least indicates it's not just a failure of software.

Mr. SOLOMON. Yes, sir; we were not party to the NCR equipment purchase. We opposed it and told them that there was other equipment more applicable to the situation.

The current idea, and we talked to the Governor, is not to go with such a major, large computer center, but to look at the current technology and obtain equipment that's easier to operate and does not require people from outside of American Samoa to come down there and program it.

We're looking to something similar to what we did for the Micronesian Governments. That is working, the initial cost is less and the equipment can be operated by the people on-site, rather than bringing people from outside.

Senator McCLURE. Is that objection and advice a matter of record?

Mr. SOLOMON. I could not say. It was about 5 or 6 years ago, sir. I think that a letter was provided saying that—the choice at that time was between IBM and NCR, and I think that we suggested that they go with IBM.

I don't know if there's a copy of the correspondence, but we could check.

Senator McCLURE. Could you provide for the record whatever record you have? It's pretty easy after the fact to say, well, we told them not to do that.

Mr. MONTOYA. Yes, sir; we'd be glad to.

Senator McCLURE. I have the impression that they're not quite so anxious to say you told them not to do that.

Mr. MONTOYA. Mr. Solomon?

Mr. SOLOMON. I know we told them because I was the one who told them personally in a meeting several years ago in the 1978 era. I don't know if that was conveyed on paper from the head office, but I was involved in that.

Senator McCLURE. If you would provide the paper record in addition, I would appreciate that.

Mr. SOLOMON. Yes, sir.

[The information follows:]

American Samoa Finance System

We encouraged ASG to consider using IBM equipment as well as the IBM software system based in Guam. ASG choose instead to purchase an NCR computer and design their software in-house.

We have attached a report prepared by OTIA staff in 1979 as well as correspondence to U.S. Comptroller's office on the subject.

SEP 13 1979

Memorandum

To : U.S. Government Comptroller
for American Samoa

From : Director, Office of Territorial Affairs

Subj : Request for Proposal for Computer Up-Grade - American Samoa

Attached are the comments you requested from our ADP & Telecommunications Office on the Governor's subject request.

RUTH G. VAN CLEVE

Mrs. Ruth G. Van Cleve

AUG 30 1979

Memorandum

To: Director, Office of Territorial Affairs

From: Director, Office of ADP & Telecommunications Management

Subject: Request for Proposal for Computer Up-Grade - American Samoa

This memorandum is in regard to your request, of June 13, 1979, for comments on a Request for Proposals (RFP) for the upgrade of computer services for the American Samoa Government (ASG). Since your memorandum was received, a discussion between Mr. Roger Cooley, of my staff, and Mr. Steve Jones, Jr., the Comptroller for American Samoa, has taken place regarding various approaches to satisfy American Samoa's processing needs. Accordingly, the following comments are provided for your consideration.

a. We agree with the statements included in the memorandum from Mr. Willis Hestir (Comptroller's Office - Virgin

Islands) regarding the need for an overall plan for defining and satisfying information processing needs of the American Samoa Government. Such a plan is essential in order to make the most effective use of new technology.

b. There appears to be a high potential for development of standard systems to satisfy both ASG and Guam territorial governments. As Mr. Hestir suggests, the Office of Territorial Affairs should consider planning for such sharing/standardization, although his statement regarding sole source justification for an IBM System at ASG does not necessarily directly follow a decision on standardization. The selected or designed system may be implementable on other than IBM systems. Also, several IBM-compatible mainframe suppliers could potentially satisfy the requirements, although maintenance could be a significant problem due to the remote location involved.

c. The feasibility of utilizing the municipal government type system currently operational at Guam should definitely be explored. This approach may be, overall, the most cost effective, and would have several long-term advantages, particularly in the area of standardization.

d. Based on a limited review of the specifications included in the RFP, we concluded that the RFP is basically adequate for beginning a negotiated procurement. However, some further clarification of requirements may be required during the negotiation process. Also, the RFP appears to slightly favor IBM or IBM-compatible mainframe suppliers, particularly because of the RPG programming requirements.

We recommend that an evaluation and consideration of using the Guam system be undertaken prior to proceeding further with procurement of a separate new system for ASG. We hope these comments are helpful to your arriving at a satisfactory solution for satisfying ASG's information processing needs.

Harris G. Reiche

JUN 13 1979

Memorandum

To : Harris Reiche
Director, ADP & Telecommunications Management

From: Mrs. Ruth G. Van Cleve
Director, Office of Territorial Affairs

Subj: Request for Proposal for Computer Up-Grade -- American Samoa

The U.S. Government Comptroller for American Samoa has submitted the attached proposal to up-grade computer services for American Samoa and has requested that we have it reviewed for content. Accordingly, we would appreciate your comments on the attached RFP. You will note that this request was mailed separately by the Governor to various suppliers on May 11, 1979.

Your earliest response would be greatly appreciated.

RUTH G. VAN CLEVE

Mrs. Ruth G. Van Cleve

May 29, 1979

TO: Matthew Novick, Deputy Director for Finance and Administration

FROM: S.D. Jones, Jr., U.S. Government Comptroller for American Samoa

SUBJECT: Request for Proposal - Computer Upgrade

Matt, here is the RFP mailed to various suppliers on May 11, 1979. We received our copy on May 14, 1979. We had suggested that the RFP not be sent out until we approved it - but the communications broke down somewhere along the way. We did see and return with comment the original and second drafts of the RFP, so ASG Officials may have thought we had "seen and approved".

We would like you to have an "expert" hardware man in DOI look at this and give us any comments he may have. At the same time, we are sending Willis Hestir a copy for any comments he may wish to make.

We are also enclosing for your information a copy of Hestir's March 16 report on his visit here. Any comments from you, Hestir, or others on the RFP - or any other matters relating to this problem - would be appreciated and most helpful to us in evaluating this proposed procurement.

S.D. Jones, Jr.,
U.S. Government Comptroller
for American Samoa

March 16, 1979

MEMORANDUM

To: U.S. Comptroller for the American Samoan Government - Steve Jones

From: Willis A. Hestir

Subject: Technical Assistance Given to ASG

Background

On January 30, 1979, I was notified by the U.S. Comptroller for the Virgin Islands, Darrell Fleming, that your office had requested assistance in evaluating the current computer acquisition effort being made by the

American Samoan Government (ASG). Later in Honolulu on my way to American Samoa I met with the Financial Director for the Office of Territorial Affairs, Matt Novick, and he indicated that a review should be made of the current operation to ascertain the need of acquiring new equipment. During our initial discussion after my arrival in American Samoa, it was brought out that the ASG desired technical assistance in preparing the Request for Proposal (RFP) for new computing equipment. The results of my work with the Director of the Information Systems Division (ISD) is summarized in the following three sections.

Need for a New Computer System

A review of the ISD produced the following information:

1. The current computer system, an IBM System 3 Model 10, was originally leased in 1972. In October of 1978, the system was signed over to the ASG by IBM. The system is quite limited in both main and auxiliary storage, and there are no provisions for executing more than one program at a time, i.e., no multiprogramming, or for data communication activities.

   When the current applications were originally developed these deficiencies did not seriously restrict the data processing being accomplished, and the cost of a system that could provide such features was prohibitive. Since that time, however, the needs of the ASG have become more sophisticated, and the cost of a computer system that adequately supports those needs is well within current dollar constraints.

2. A manual log is kept by the computer operators containing an entry for each job processed on the computer. Each entry contains the job name, time of day, account code, elapsed time for the job and the computer operator's identification. This data is keypunched and processed to produce a monthly utilization report. For the months July 1978 through January 1979, the computer system was used an average of 277.27 hours/month which translates into approximately 12.60 hours/day. Most production work is scheduled to be run after 4:30 pm so that the day shift is left as open as possible for program modification/development activities. However, production work, such as editing of financial transactions, is run during the day so that the people correcting errors may receive the information necessary to complete their work.

   The turn-around-time for jobs submitted by ISD computer programmers is affected cyclically by the processing required for the bi-weekly payroll and the month-end accounting systems. A week when payroll processing occurs can be considered a good overall average for turn-around-time since a week when the month-end accounting is processed is considerably worse and a "free" week, better. There was no data available to substantiate this condition, but it was the opinion of the Programming and Analysis Branch Manager and corresponds to situations I have encountered in the past in similar environments.

   During the second week of my visit, a payroll week, basic data about turn-around-time for ISD computer programmer's jobs were gathered. This data indicated an average turn-around-time of 3.4 hours which is marginally adequate for the maintenance of existing systems but totally inadequate if new system development or major system revision is to occur. For example, in current computer systems in which multiprogramming occurs and the development and maintenance of programs is done via on-line terminals, the average turn-around-time is 10 to 40 minutes. A little reflection on the differences in turn-around-time, 20 minutes vs. 184 minutes, coupled with limited programming personnel which normally are replaced periodically makes it immediately clear that any project requiring a significant sustained effort over any length of time will have little chance of success in the current environment.

3. The current system's limitations in the amount of main and auxiliary storage have been reflected in the design and operation of the systems currently in use. The limitation in main memory has precluded the use of COBOL as the programming language. As a result, the systems have been developed in RPG which has led to a profusion of small programs - this is a normal occurence in such an environment. The limitation in auxiliary storage makes it impossible to have all the desirable information on line during the processing of certain job steps - this results in the multiple passes of data through the system in order to accomplish what should normally be done in a single pass. The overall effect is that such systems characteristically are difficult to operate and maintain because of the imposed fragmentation of the natural logical structure.

   A considerable amount of system development has occurred over the last three years throughout the other territories administered by the Department of the Interior, i.e., the Virgin Islands, the Trust Territory of the Pacific Islands and Guam. This development has taken place on IBM 370 equipment which is not limited, for practical purposes, in main and auxiliary storage. These systems could be usefully adapted to the needs of the American Samoan Government, but they would require the replacement of the current system with a system supporting COBOL and adequate auxiliary storage - for practical purposes, it would be highly advantageous if the new system were compatible with the IBM 370.

4. Basic maintenance of the computer system is performed locally by ASG employees who were trained by IBM. Major equipment failures still require the outside assistance of IBM customer engineers from Honolulu. Over the past three years, 1976 through 1978, it was necessary to bring IBM customer engineers down from Honolulu six times in 1976, ten times in 1977 and eight times in 1978. The increasing frequency, although not dramatic, is generally indicative of the gradual overall deterioration of the system due to age and a less than optimum environment. In addition, parts are gradually becoming more difficult to obtain as the number of System 3 Model 10's being used decreases.

Taken all together, if the ASG had no new system requirements and the current systems were satisfactory, they could conceivably operate as they now are for several more years before replacement of the computer system would be required by total hardware failure.

However, this is not the case. One serious problem of the ASG and most other island governments is the difficulty encountered in obtaining and keeping a qualified staff. Consequently, people become an extremely important resource. Most offices in the ASG rely, to a certain extent, upon the services provided by the ISD. Because of this, inefficiencies that occur in the development, modification and operation of the computer systems ultimately cause a waste of personnel time throughout the ASG. The current systems need modification or replacement, and new systems requirements do exist. The replacement of the current computer system with a new system having features that adequately support the development of applications systems and allow those systems to operate in an efficient manner once developed is a necessity.

Request for Proposal

Looking forward to the eventuality that a competitive procurement is necessary, I have provided the Director of the ISD with the following suggestions/guidelines for the preparation of an RFP:

1. Wherever possible, state requirements in terms of function to be performed rather than absolute hardware specifications.
2. Categorize requirements, e.g.,
    a. Hardware - capacities and types of direct access storage devices, CRT screen capacities and keyboard features, expandability, etc.
    b. System Software - JCL capabilities, multiprogramming, communications, etc.
    c. Applications program development support features - programming languages, terminal environment, utilities, etc.
    d. Applications packages - payroll system, hospital system, etc.
    e. Maintenance - Hardware and Software.
    f. Systems engineering support.
    g. Training
    h. Backup
3. Indicate minimum acceptable requirements.
4. Indicate desirable items - the $ value of these items to ASG must be determined in order to complete the economic analysis of the proposals.
5. Include the total scheme that will be used to evaluate the RFP.
6. Request that the response be physically separated into two parts - part 1 to contain the technical information and part 2 to contain all pricing information. This will enable the evaluation of the proposals first on a technical basis and finally on an economic basis. Request complete pricing information for lease, lease/purchase and purchase including analysis of lease vs. purchase.
7. Prepare worksheets for the evaluation of the technical proposals. These worksheets will provide a systematic means of evaluation according to the scheme presented in the RFP.

8. Appoint a single point of contact for vendors to submit questions to and receive answers from. These should be reduced to written form and disseminated to all.

I will obtain a copy of the technical portion of an RFP recently prepared by the Bureau of Indian Affairs in Albuquerque and send that to the Director of the ISD and to your office. This should provide a good working model for everyone's use. I would be happy to review the RFP before it is issued if that is desirable. Although the Director of the ISD feels that he can produce an RFP in less than a week I feel he is overly optimistic and that it will take longer than that.

Suggestions

One aspect of the whole situation that bothers me is the lack of an overall plan for the ASG with respect to their total information needs. Such a plan would obviously contain the acquisition of a new computer system as one element, but there would be many others, e.g., priorities and staffing for new systems development.

AMERICAN SAMOA FINANCIAL CONDITION

Senator McClure. What's the financial condition of the American Samoan Government today?

Mr. Montoya. As I understand it, it's approximately $3.4 million in arrears. They have been trying to get a handle on what the actual amount is. Last year, I think we heard figures of anywhere from $14 million to $11 million. And now it appears that they're starting to narrow it down to something that more closely resembles $3.4 million.

COMPUTER SYSTEM

Senator McClure. Apparently, this problem with the system has been known for sometime. Why wasn't funding included in the fiscal year 1987 request?

Mr. Montoya. Because we felt like it was something that would fit more aptly under technical assistance. We looked at the capability we had within the staff who are currently based out of Saipan and had put all of the systems in Micronesia. We felt like we could do that and it was something that should be done out of technical assistance.

Senator McClure. Have you looked at the current system and satisfied yourself that it is appropriate? Or if it doesn't work, are you going to come up here 2 or 3 years from now and have you say, we told them not to do that?

Mr. Montoya. No; we had a consultant down there that has looked at the system. And he's in agreement. Governor Lutali is in agreement with us. And we're ready to go.

Senator McClure. And you think it's an appropriate system and will work?

Mr. Montoya. Absolutely.

COMPUTER SYSTEM COST

Senator McClure. Now as I understand, technical assistance will provide $500,000.

Mr. Montoya. Yes, sir.

Senator McClure. The request is for $2.6 million.

Mr. Montoya. That was for a much larger system, Mr. Chairman, and I think Mr. Grosh, that's the consultant that's been working with them, agrees with us. We've trimmed it down to this $500,000 figure.

Senator McClure. Is that the total payment for the total system? Or is that a car without wheels and steering wheel and motor?

Mr. Montoya. I think it's without radio and air-conditioning.

Senator McClure. Without air-conditioning?

Mr. Montoya. There may be an additional—without a heater in it and a radio. [Laughter.]

There may be an additional $100,000 or so——

Senator McClure. Your reference to air-conditioning was the automobile and not the computer system.

Mr. Montoya. Yes; it was.

Senator McClure. Right. Thank you. An additional $100,000?

Mr. Montoya. Possibly.

Senator McClure. How firm is that?

Mr. Montoya. Well, given what we'd spent in the Micronesian Islands, that would consist of training. So we feel fairly confident that that's a close number.

Senator McClure. Now the training doesn't come under technical assistance?

Mr. Montoya. Well, it would.

Senator McClure. Then why didn't you include it?

Mr. Montoya. The breakdown would be——

Senator McClure. Why shouldn't the figure then be $600,000?

Mr. Montoya. Well, we're going to need to come on line with the equipment first and then we'll follow up with the training.

We will have some savings, Mr. Chairman, by using, as I said, the existing staff. But there's going to need to be some updating as we get more capability added to the system. We hope to continue to build on to the existing system or the base system so that we can have the hospital, the power authority, and other aspects of government starting to build on to the framework system.

Mr. Solomon?

Mr. Solomon. Just as some tentative figures, and these are ballpark, the equipment itself, the hardware, will cost between $250,000 to $300,000. The software involved will cost somewhere in the neighborhood of $80,000.

The balance of the money in technical assistance will be dedicated to training, writing procedures, providing people, and assistance. That's for this year.

When we reach a point in the project when that's installed, we'll take a look at whether additional training is needed next year and that's the other $100,000 to $150,000 figure that the Assistant Secretary mentioned.

TRUST TERRITORY FINANCIAL SYSTEMS

Senator McClure. OTIA has spent over $4 million of technical assistance funds on efforts to improve financial management in the trust territories.

It's my understanding, however, that none of the seven central or State governments can produce an auditable financial statement.

Is that accurate?

Mr. Montoya. We have been advised that we'll have audited financial statements from all of the governments by Touche Ross, except for Ponape and the Northern Mariana Islands.

Senator McClure. Covering what period of time?

Mr. Montoya. This past fiscal year. And, again, I should make the point that these systems have been on line about 1 year now. This will be the second and, for some, the third year of operation.

So it's not something that we can blame on the financial management systems. I'm anxious to see these audited reports. We anticipate that this will be the first time that we've had these governments audited.

Senator McClure. But you do anticipate that they will be auditable?

Mr. Montoya. Mr. Solomon?

Mr. Solomon. Mr. Chairman, we've been informed by Touche Ross, who's now doing a comprehensive audit of each of the governments, that there will be statements, opinions issued for each of the governments. Some of the statements will be semiqualified dealing with certain procedures. But we will not get statements or opinions on Ponape and Northern Mariana Islands.

So we will have for the first time in my recollection a statement of opinion by a certified public accounting firm that the records fairly represent the financial transactions that took place in that government during the year.

Senator McClure. And why won't we have them in the other?

Mr. Solomon. Primarily, it deals with techniques or procedures that the governments use that don't fully conform with all of the standards that have been established by the financial regulatory agencies, and we're working on correcting them.

Senator McClure. How long have you been working on correcting them?

Mr. Solomon. In the Northern Mariana Islands, it's only been for the last year that we've been emphasizing them. Some of the problems relate to people and staffing which we've tried to correct. This is not a very speedy process, Mr. Chairman. It takes time and effort to train and bring in qualified people to work with the governments to get the types of information that we need to be audited by Touche Ross.

Senator McClure. I recognize that it's difficult. I recognize that it does take time. But I also recognize that there's been quite a little time already.

Mr. Solomon. Yes, sir; it has been. And we are pleased that Touche Ross will give us a clean opinion on these governments for the first time, and they've been working closely with the governments to get the records.

PROBLEMS WITH FINANCIAL SYSTEMS

Senator McClure. I don't suppose we can expect, and perhaps not even demand, the same kind of progress, the same ratable progress in areas of this kind that we could with other governmental units. There is a learning curve. I recognize that.

But would you provide for the record for, say, the last 5 years the problems and the efforts made to solve the problems and the progress made toward solving the problems up to the current date?

Mr. Solomon. Yes, sir.

[The information follows:]

FINANCIAL MANAGEMENT SYSTEM PROJECT IN TTPI

Chronology of Events

- Project initiated in 1981
- Purchase of Wang VS Computer and DILOG/COMMAND software
- Pacific Data System selected as hardware vendor
- Information Development Consultants, Inc selected as software vendor
- Deloitte Haskins and Sells wrote documentation for system
- OTIA Technical Assistance staff designated as project leader
- Local governments designated financial officers and staff to work on project
- Palau chosen to be pilot installation
- Federated States of Micronesia National Government and Pohnpei State began their installation during 4th quarter 1982
- Marshall Islands installation began October 1983 and completed February 1984
- Truk State began installation in March 1984 and completed in June 1984
- Yap State began installation in March 1984 and completed in June 1984
- Commonwealth of the Northern Mariana Islands and TTPI headquarters began installation in July 1984 and completed October 1984
- Kosrae State last installation began November 1984 and completed in February 1985

STATUS OF FINANCIAL ASSISTANCE IN MICRONESIA

The financial management management system project was initiated in 1981. The Office of Territorial and International Affairs (OTIA) and representatives from the governments of the Republics of the Marshall Islands and Palau, the Federated

States of Micronesia (National and States), the Commonwealth of the Northern Mariana Islands (NMI) and the Trust Territory of the Pacific Islands (TTPI), held a series of conferences in order to decide upon a computer system that would satisfy the needs of each government.

The final decision of all parties was to purchase a WANG VS computer and DILOG/COMMAND software. The parties involved in the project were:

(1) Pacific Data Systems (PDS), was selected as the hardware vendor. (IBM was the only other available vendor in the area)

(2) Information Development Consultants, Inc. (IDC), was selected as the software vendor.

(3) Deloitte Haskins and Sells (DH&S), was retained to prepare written documentation on the systems.

(4) The the Office of Territorial And International Affairs (OTIA) Technical Assistance Staff located in the NMI was designated as the project leader. Additional support was supplied from the Washington office.

(5) The local governments designated their finance officers and staffs to work on the project.

The initial implementation problems surrounding the project were numerous.

(1) The Trust Territory Government provided computer support to the territories, therefore, all of the people familiar with computers were located in Saipan. That knowledge had to be distributed to each location without draining the Trust Territory's resources.

(2) There was the shortage of trained accountants available for each government. Few of the governments have staff who are trained in the accounting/financial discipline and few CPAs are available in the area.

(3) The power situation was inadequate to operate computers requiring installation of uninterruptable power supplies.

(4) Due to the physical distances between locations and the fact that TTPI headquarters had a computer in Saipan, it was impossible to operate the new system on a parallel basis.

(5) We could not control the selection of personnel who would be trained on the system (this was a government decision).

(6) The last, but most important fact was that we were introducing a new technology (computers) in governments who had little or no experience with ADP systems. This complicated an already difficult task.

On the positive side the governments were ready to accept the challenge. Their total commitment, the persistence of the technical assistance staff and the vendors' support became the strong bond upon which the project was built.

The lack of experienced EDP personnel at each location required that outside resources be recruited and hired to bridge the gap. In addition, extensive training was required to overcome a learning curve. IDC agreed to do the necessary software training. PDS agreed to the necessary hardware training. DH&S agreed to the documentation requirements. OTIA recruited and hired the financial/EDP advisors. Each government was responsible for preparing adequate on-site facilities to house the computer systems, based upon specifications supplied by PDS. TTPI would continue to support each territory until informed that each installation had successfully been converted and was ready for independent operations. The plan for implementation was kept simple and flexible to accommodate the ability of each government to prepare facilities and organize staff for training and operations.

PILOT INSTALLATION

Palau was chosen to be the pilot installation. After the site had been identified, PDS sent an advance team to inspect the facility prior to scheduled delivery of the equipment. PDS also provided engineers who installed and tested the hardware. Once the system was operational PDS provided instructors to train the local staff on basic WANG VS hardware operations. Following this training the technical assistance team, the advisors and IDC staff installed the application software to train the finance staff to operate the system.

DH&S helped to train the local staff and prepared systems documentation. Initial training was then followed with on-the-job task assignments. Each section, such as Payroll, Accounting, Travel, etc. was instructed on how to enter data into the system based on the specific requirements. In addition, the local staff was trained to produce the daily reports, review and analyze errors and to make corrections. This procedure was used on a test basis to familiarize everyone with the system prior to live data being entered in the system.

On a test basis the system was loaded with data, and the sample payroll reports produced for a designated pay period were compared against the actual TTPI payroll for accuracy. Adjustments were then made to authenticate the new system against the TTPI system. When the two systems were balanced, a parallel operation continued for two to three pay cycles. At that time, the staff was relatively comfortable with the new system and they assumed responsibility for producing the payroll at the location. The successful printing of checks become the turning point of independence from the TTPI system. From that point, total processing was done on site without support from the TTPI.

TOTAL SYSTEM INSTALLATION

This method was repeated seven times and produced successful payroll system operations for the Micronesian governments. The success may be measured by the fact that throughout the years of support from the TTPI, the system was never auditable. The new systems are projected to receive qualified audit opinions by the end of 1986.

The audit consulting firm of Touche Ross and Company has been retained to assist the territories with year end closing procedures. Their findings thus far indicate that the territories have made significant progress towards establishing good financial systems.

As the system grows and its use is expanded, additional training is provided to keep the staff up to date. This interim phase of training is basically provided by the on-site advisors with help from the technical assistance staff. Whenever necessary, the software vendor may be called in to provide specific training on new software releases.

PROJECT COORDINATION

The territories, upon the recommendation of OTIA, formed the Western Pacific Computer Association (WPCA), to address computer needs of the several governments. WPCA is the user group for Micronesia which represents all the governments collectively in negotiations with vendors and in arranging priorities for all computer needs. As the financial technical assistance program is phased out in Micronesia, the WPCA will gradually increase its focus as the leader in computer systems for the governments. When the Trusteeship ends, it is anticipated that WPCA will be experienced enough to respond to the computer needs of Micronesia. Additional support will be available from OTIA as needed and if requested.

INSTALLATION SEQUENCE

1. REPUBLIC OF PALAU (DECEMBER, 1982)

Palau was the first government to implement the new system. Installation in Palau was the most time consuming because Palau was used as the pilot installation to train all the governments. The installation began in early 1982 and was completed by the end of 1982. Completion is determined when the government begins daily computer operations without support from the Trust Territory's system. With the exception of payroll the systems were not operated parallel because of the distance from Saipan to the new installations. Parallel processing would have made the complex situation even more difficult. Additional support from the technical assistance staff will continue until all software applications are installed and working properly.

Palau operates the WANG VS 90 complete with 2 disk drives, 1 tape drive, work stations, printers and a word processor.

Problems associated with the system in Palau are basically the same as in the other installations.

- Operations manuals and instructions need to be updated.
- Physical security is sub-standard.

- Additional training is needed. (New releases to the software require continuous training) and,
- turnover of existing staff.

Susan Toribiong is the financial advisor to Palau.

2. FEDERATED STATES OF MICRONESIA (SEPTEMBER 1983)

The Federated States of Micronesia, National Government and Pohnpei State Government began installation of their WANG VS 100 during the fourth quarter of 1982. Installation was completed during the third quarter of 1983. Both governments are in the same location and are sharing facilities.

Problems associated with the system in the FSM National and Pohnpei State governments are basically considered to be "people" problems. For example proper operating instructions may not be followed for data input. This single fact will cause multiple problems in how the data is manipulated by the computer and how it is produced in reports. The two governments also encountered turnovers of key personnel during critical stages of the installation which led to several "new starts", and loss of confidence by the users.

Other problems in the FSM and Pohnpei state include:

- Operations manuals need to be updated
- Additional training is needed.

Richard Minaker is the financial advisor to the FSM and Pohnpei State.

3. REPUBLIC OF THE MARSHALL ISLANDS (FEBRUARY, 1984)

The Republic of the Marshall Islands was the third installation for the WANG VS 90 in Micronesia. Installation began in October 1983 and was completed in February 1984.

The Marshall Islands is one of the more successful installations. The problems associated with the Marshalls were basically mechanical. The tape drive malfunctioned continuously, prompting WANG to agree to a replacement.

A contractor has been assigned to the Marshall Islands to write procedures and update manuals.

As in other territories training will be needed until adequate local resources can be developed.

Robert Schrack is the financial advisor to the Marshalls.

4. TRUK STATE, FSM (JUNE, 1984)

Truk State began its installation of the WANG VS 90 in March 1984, and was completed in June 1984.

Truk State was perhaps the best overall installation mainly because the users exemplified strong confidence in the system. Problem solving was approached in a logical way. The Truk employees took it upon themselves to seek out the source of problems before requesting outside assistance. As a result, the operation benefitted greatly from the self-taught experience of the employees, and the training received was more beneficial because normally it could be directly associated with familiar circumstances.

The Truk employees were also very cautious about how the system was used and adhered to the procedures.

Updated manuals, procedures and more training tend to be the weak areas in Truk.

Jerry Shea is the financial advisor to Truk.

5. YAP STATE, FSM (JUNE, 1984)

Yap State began its installation of the WANG VS 90 in March 1984, and was completed in June 1984. The Yap and Truk installations were done simultaneously.

Yap State has experienced the most severe equipment problems of all the installations. For several months the system in Yap frequently malfunctioned. The Central Processing Unit (CPU) was sent to WANG for analysis because the problem could not be diagnosed on site by the engineers. Several of the peripheral machines also malfunctioned and required extensive analyses and repairs. On several occasions Yap employees were required to fly to neighboring installations to process their routine requirements such as payroll and periodic reporting.

Although the system problems were significant, the Yap employees maintained confidence in the system and are currently progressing quite well.

Training will continue for Yap and the manuals and procedures will be updated.

Dave Jennings is the financial advisor to Yap.

6. COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS (OCTOBER, 1984)

The Commonwealth of the Northern Mariana Islands and TTPI headquarters installation of the WANG VS 100 began in July 1984 and was completed in October 1984. Since the users in the CNMI and the TTPI were already trained in computers, extensive training was not required.

The CNMI was projected to be the easiest installation because the employees were accustomed to operating in a computer environment. The result however, was a "people" problem basically caused by not following instructions properly.

Other problems in the CNMI include the need for additional training and updating the manuals and procedures.

A financial advisor was assigned to the CNMI to assist with initial installation.

7. KOSRAE STATE, FSM (FEBRUARY, 1985)

Kosrae State was the last installation. The project began in November 1984 and was completed in February 1985. Kosrae installed the WANG VS 90.

Kosrae State is the smallest installation and to date has been progressive. In fact, Kosrae has received an unqualified opinion on financial records. Most of Kosrae's problems are produced by a small population without adequate resources to draw from. Therefore, to supplement the inadequacy, more intense training is needed. Updating the procedures and operations manuals is also needed.

Tom Becker is the financial advisor for Kosrae State.

8. PROJECT STATUS (JUNE, 1985)

Most of the systems except for CNMI and Pohnpei are working quite well and are supporting the daily accounting requirements of the governments. The major concerns are basically centered around future issues such as additional training for the staffs, proper documentation and procedures for long range protection. We are currently working with CNMI and Pohnpei to improve their operations.

The systems are also growing with the responsibilities of the governments. Software applications have been developed for Social Security, Taxes, Land Records and other functions which are more efficiently performed by computer.

The attached summaries identify the hardware and software at each location.

SUMMARY - COMPUTER INSTALLATIONS IN THE TTPI/CNMI

LOCATION	DATE INSTALLED	EQUIPMENT	COST ($000)	STATUS
1. Marshall Islands	2/84	WANG VS-90 2-Disk Drives 1-Tape Drive 5-Work Stations 1-Word Processor 2-Printers	520	The system is operating well. The auditable records look good and it appears that the Marshalls will receive an unqualified or a qualified opinion from Touche, Ross and Company Auditors
2. FSM National & Pohnpei State	1983	WANG VS-100 3-Disk Drives 1-Tape Drive -Work Stations -Word Processor 4-Printers	526	The FSM and Pohpei State continue to have problems. They are requesting more assistance and will probably receive a disclaimer from the Touch, Ross and Company Auditors
3. Kosrae State	2/85	WANG VS-90 2-Disk Drives 1-Tape Drive -Work Stations -Word Processor 2-Printers	250	The smallest and last system to be installed. However, Kosrae is the first installation to receive an unqualified opinion. Operations are progressing quite well.
4. Yap State	6/84	WANG VS-90 2-Disk Drives 1-Tape Drive -Work Stations -Word Processor 2-Printers	350	After experiencing equipment problems Yap is currently operating well and is waiting for the opinion from Touche Ross and Company.

SUMMARY - COMPUTER INSTALLATION IN THE TTPI/CNMI

Location Installed	Date	Equipment	Cost ($000)	Status
5. Truk State	6/84	WANG VS-90 2-Disk Drives 1-Tape Drive 6-Work Stations 1-Word Processor 2-Printers	400	Truk State is also operating well and expects an unqualified or a qualified opinion from Touche Ross and Company.
6. Palau	1982	WANG VS-90 2-Disk Drives 1-Tape Drive -Work Stations -Word Processor -Printers	460	Palau being the first installation has been operating for a much longer time and also expects a qualified or an unqualified opinion.
7. TTPI/CNMI	1984	WANG VS-100 3-Disk Drives 1-Tape Drive 7-Work Stations 2-Word Processors 3-Printers -Professional Computers	500	The CNMI continues to have problems and will probably receive a disclaimer from Touche, Ross and Company.

SOFTWARE	Installations							
	Marshalls	FSM	Pohnpei	Kosrae	Yap	Truk	Palau	CNMI
1. DILOG - Distributed and Integrated Local Government Accounting System	A	A	A	A	A	A	A	A
- Financial Accounting	A	A	A	A	A	A	A	A
- Cost Accounting	A	A	A	A	A	A	A	A
- CAPPS - Comprehensive Purchasing and Accounts Payable	A	A	A	A	A	A	A	A
- Budget Preparation	A	A	A	A	A	A	A	A
2. Payroll and Personnel System	A	A	A	A	A	A	A	A
3. Accounts Receivable and Billing System	B	B	B	A	B	B	A	A
4. Utility Billings	A	B	A	B	B	B	A	B
5. Stores Inventory & Fixed Assets	B	B	B	B	B	B	B	B
6. CAPPS modification	A	A	A	A	A	A	A	A
7. New Budget System (6/86)	A	B	B	B	B	B	B	B
8. Tax System	A	B	A	B	B	B	A	B
9. Hospital Operations (under development)	A	B	A	B	B	B	A	B

Legend
A - Installed
B - Not Installed

Notes:
1. The CNMI built their own Utility Billing system rather than use the one OTIA purchased. Home version cannot be used for other governments. The CNMI also has their own Budget system on a PC.
2. The tax system is in the process of installation
3. Some of the Governments have not installed all software due to lack of need.
4. Utility billings was installed in Kosrae but failed. A restart is scheduled.

MANAGEMENT OF COMPACT FUNDS

Senator McClure. Thank you. Do the freely associated States have financial management systems that are adequate enough to manage the funds they will receive under the terms of the compact?

Mr. Montoya. I think so, Mr. Chairman. When they were being put in, that was the base criteria. We had a good idea of the funds that were going to be coming into the system. So it's my understanding that that was the direction taken by technical assistance personnel.

So, yes.

Senator McClure. Are the auditors asked that question this year, will it be adequate?

Mr. Montoya. The Touche Ross audit? I would imagine that will be included as part of their systems analysis.

Senator McClure. Would you inquire and see whether that is included as a part of their tasking on the audit performance?

Mr. Montoya. Yes, sir.

Senator McClure. And encourage it to be included if it is not.

ADMINISTRATION OF COMPACT

Implementation of the compact of free association will be a complex and difficult task. I'm sure it will require a really extraordinary degree of cooperation on the part of everyone involved. I have several questions in that regard.

In response to a question earlier this year regarding the compact, Secretary Hodel indicated that many decisions regarding staff positions, administrative functions, and agency responsibilities were unresolved pending the final delegation of responsibilities within the administration.

What's the current status of the efforts to resolve these questions?

Mr. Montoya. Mr. Chairman, we in the Department of the Interior have been working very closely with our colleagues over at the State Department. We have pending right now an Executive order for administration approval that State and Interior are very pleased with. We anticipate that the Executive order will fulfill many of the needs that Mrs. McCoy and I have to get into compact administration and the planning for that period, and that many of our questions will be answered by this Executive order. That's the clear delineation of duties by each of the players in this compact administration, given the responsibilities that we obtained from the Congress.

The High Commissioner, after she returns from New York, will be coming back into Washington. She and I will be talking about this topic. It is hoped and anticipated that the Executive order will be promulgated and that we'll have a foundation to go ahead and finalize our staffing plan.

Mrs. McCoy, would you care to expand on that?

Ms. McCoy. I think, Mr. Chairman, you'll find in my statement, which I believe has been entered into the record, a reference to our transition plan. We have put one together and it is under review now at OTIA.

And as the Secretary says, we will be coming down after the U.N. hearings and be spending a good deal of time here working on this, and hopefully, the order will be ready by that time.

Senator McClure. I think both of you know, and I don't think there's any responsible official in the administration that does not know, of the interest that Senator Johnson and I have expressed with respect to postcompact administration.

I would hope before an administrative order is promulgated and published, that we'll have the opportunity to see it. We've made numerous requests of the administration, and it would be better off to be a fire at a nuclear plant in the Soviet Union in terms of the information we get—not from the administration, but from the media.

I wonder if I could ask two things of you. I don't know whether you can deliver on one, but I know you can on the other.

One, can you give us a copy of the proposed administration order?

Mr. Montoya. Yes, sir; I'm very clear on that. Secretary Hodel has made it a point that——

Senator McClure. He's been fully cooperative as far as I am concerned. Others have not in that regard. And I would like very much to have a copy of the proposed order and also, any changes that come up as they go along. We'd like to be fully informed before that's issued.

[The information follows:]

Executive Order 12569 of October 16, 1986

Management of the Compact of Free Association With the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau

By the authority vested in me as President by the Constitution and laws of the United States, including the Compact of Free Association (the Compact) and Public Law 99–239, (the Act), it is ordered as follows:

Section 1. *Responsibility of the Secretary of State.* The Secretary of State shall conduct the government-to-government relations of the United States with the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau (the "Freely Associated States"), including any subdivisions, officials or persons thereof, and may delegate or allocate such of his authority under this Order to such other United States officials as he may from time to time deem desirable. The authority of the Secretary of State shall include, consistent with Article V of Title One of the Compact and section 105(b)(1) of the Act, the establishment and maintenance of representative offices in the Freely Associated States and supervision of the United States representatives and their staff. The Secretary also shall provide, in accordance with applicable law, for appropriate privileges, immunities, and assistance to representatives to the United States designated by the Governments of the Freely Associated States, together with their officers and staff. In accordance with applicable law and the provisions of this Order, the Secretary also shall have the authority and responsibility to take such other actions as may be necessary and appropriate to ensure that the authorities and obligations of the United States set forth in the Compact and its related agreements and in the laws of the United States as they relate to the conduct of government-to-government relations with the Freely Associated States are carried out. The Secretary shall provide from appropriations made to the Department of State such funds as may be necessary to carry out the provisions of this Order in relation to the activities of the Department of State.

Sec. 2. *Responsibility of the Secretary of the Interior.* The Secretary of the Interior shall be responsible for seeking the appropriation of funds for and, in accordance with the laws of the United States, shall make available to the Freely Associated States the United States economic and financial assistance appropriated pursuant to Article I of Title Two of the Compact; the grant, service, and program assistance appropriated pursuant to Article II of Title Two of the Compact; and all other United States assistance appropriated pursuant to the Compact and its related agreements. The Secretary shall coordinate and monitor any program or any activity by any department or agency of the United States provided to the Freely Associated States and shall coordinate and monitor related economic development planning. This Section shall not apply to services provided by the Department of Defense to the Freely Associated States or to activities pursuant to Section 1 of this Order, including activities under the Peace Corps Act.

Sec. 3. *Interagency Group on Freely Associated State Affairs and the Office of Freely Associated State Affairs.*

(a) There is established an Interagency Group on Freely Associated State Affairs for the purpose of providing guidance and oversight with respect to the establishment and implementation of policy concerning the Compact and United States relations with the Freely Associated States.

(b) The Interagency Group shall consist of the Secretary of State or his designee, who shall chair the Group, and of the principal officers or their designees from the Departments of the Interior, Defense, Commerce, Energy, and Justice, the Organization of the Joint Chiefs of Staff, the Office of Management and Budget, the National Security Council, and such other departments and agencies as may from time to time be appropriate.

(c) The Interagency Group shall make such recommendations as it shall deem appropriate to the President, through the Assistant to the President for National Security Affairs, concerning United States relations with the Freely Associated States. The Interagency Group also shall provide such guidance as it deems appropriate to departments and agencies delegated authority by this Order concerning administration of laws with respect to the Freely Associated States.

(d) If any department or agency charged by this Order with implementation of the Compact or other laws of the United States with respect to the Freely Associated States concludes that noncompliance sanctions pursuant to section 105(g) of the Act are appropriate, it shall make appropriate recommendations to the Interagency Group. The Interagency Group shall consider these recommendations and report its findings to the President for his review in making that determination.

(e)(1) There shall be in the Department of State an Office of Freely Associated State Affairs to conduct United States relations with the Freely Associated States and carry out related matters, as the Secretary of State shall direct or delegate, and provide appropriate support to the Interagency Group.

(2) The Office shall be headed by a Director designated by the Secretary of State, to whom the Secretaries of State, Defense, and the Interior may, to the extent permitted by law, delegate any or all of their respective authorities and responsibilities as described in this Order, including the authority to supervise the United States representatives referred to in Section 4 of this Order. The Director shall serve as Executive Secretary of the Interagency Group.

(3) Personnel additional to that provided by the Secretary of State may be detailed to the Office by the Executive departments and agencies that are members of the Interagency Group, and by other agencies as appropriate. Executive departments and agencies shall, to the extent permitted by law, provide such information, advice, and administrative services and facilities as may be necessary for the fulfillment of the functions of the Office.

Sec. 4. *United States Representatives to the Freely Associated States.* The United States Representative assigned to a Freely Associated State in accordance with Article V of Title One of the Compact shall represent the Government of the United States in an official capacity in that Freely Associated State, and shall supervise the actions of any Executive department or agency personnel assigned permanently or temporarily to that Freely Associated State.

Sec. 5. *Cooperation among Executive Departments and Agencies.* All Executive departments and agencies shall cooperate in the effectuation of the provisions of this Order. The Interagency Group and Office of Freely Associated State Affairs shall facilitate such cooperative measures. Nothing in this Order shall be construed to impair the authority and responsibility of the Secretary of Defense for security and defense matters in or relating to the Freely Associated States.

Sec. 6. *Delegation to the Secretary of the Interior.* The following authorities are delegated to the Secretary of the Interior:

(a) Reporting to the Congress on economic development plans prepared by the Government of the Federated States of Micronesia and the Government of the Marshall Islands, pursuant to sections 102(b) and 103(b) of the Act;

(b) The determination required by section 103(e) of the Act concerning the qualifications of the investment management firm selected by the Government of the Marshall Islands;

(c) Reporting to the Congress with respect to the impact of the Compact of Free Association on the United States territories and commonwealths and on the State of Hawaii, pursuant to section 104(e)(2) of the Act; and

(d) Causing an annual audit to be conducted of the annual financial statements of the Government of the Federated States of Micronesia and the Government of the Marshall Islands, pursuant to section 110(b) of the Act.

Sec. 7. *Delegation to the Secretary of State.* The following authorities are delegated to the Secretary of State:

(a) Reporting to the Congress on crimes in the Federated States of Micronesia and the Marshall Islands which have an impact upon United States jurisdictions, pursuant to sections 102(a)(4) and 103(a)(4) of the Act;

(b) Submitting the certification and report to the Congress for purposes of section 5 of the Fishermen's Protective Act of 1967, pursuant to section 104(f)(3) of the Act; and

(c) Reporting, with the concurrence of the Secretary of Defense, to the Congress on determinations made regarding security and defense, pursuant to section 105(q) of the Act.

Sec. 8. *Supersession and Saving Provisions.*

(a) Subject to the provisions of Section 9 of this Order, prior Executive orders concerning the former Trust Territory of the Pacific Islands are hereby superseded and rendered inapplicable, except that the authority of the Secretary of the Interior as provided in applicable provisions of Executive Order No. 11021, as amended, shall remain in effect, in a manner consistent with this Order and pursuant to section 105(c)(2) of the Act, to terminate the trust territory government and discharge its responsibilities, at which time the entirety of Executive Order No. 11021 shall be superseded.

(b) Nothing in this Order shall be construed as modifying the rights or obligations of the United States under the provisions of the Compact or as affecting or modifying the responsibility of the Secretary of State and the Attorney General to interpret the rights and obligations of the United States arising out of or concerning the Compact.

Sec. 9. *Effective Date.* This Order shall become effective with respect to a Freely Associated State simultaneously with the entry into force of the Compact for that State.

Ronald Reagan

THE WHITE HOUSE,
October 16, 1986.

ADVISING STAFF OF PROGRESS

Senator McClure. The second thing I will request, which I'm sure is within your capacity, and that is if both you and Mrs. McCoy would be able, as you're back here after your visit to New York, to consult with the staff of this subcommittee, as well as the staff of the authorizing committee, in that regard.

Mr. Montoya. Mr. Chairman, as has always been our policy on major decisions such as the ones that we're talking about right now, rest assured that we will keep your staff advised of how this process is proceeding and where we're coming down, before the fact.

Senator McClure. Thank you. We'll look forward to that consultation and I appreciate your assistance. I think we're working in the same directions, but sometimes it's hard to know that all officials in the administration work for the same administration.

Mr. Montoya. Mr. Chairman, I would be remiss if I did not commend Jim Lilly and his assistant secretary designate, Mr. Sigur, in their cooperative attitude towards resolving some of these gear-grinding portions of the legislation.

I think that all of us—State, Interior, OMSN—are moving forward and understand fully the intent of Congress in the legislation and where the duties will shake out. So we want to formalize that.

Senator McClure. Well, I appreciate that statement. I think most of the administrative officials understand what the congressional position is, but some of them don't agree with it. And my opinion is that some of them have been trying to frustrate it.

That's why I hope we'll be able to move forward together rather than at cross purposes. I don't ask you at this time to take sides with us, but I think that there are others in the administration that need to be encouraged to recognize what the congressional opinion is. And not only to recognize it, but to act on it, instead of trying to frustrate it.

CAPITAL IMPROVEMENT PROGRAM

Your justification indicates that the Department has met and exceeded its commitment for precompact construction of capital improvements. Yet, the Department has not requested funds for the capitol relocations in the Federated States of Micronesia [FSM], the Marshalls, or Palau, or for the Bikini cleanup.

Both of these obligations were recognized by the administration in the past. In fact, in the fiscal year 1985 justification, you requested $22.6 million for capitals in the FSM and the Marshalls. This request was based on a March 24, 1976, secretarial order, which stated, and I quote:

> At such time as a location for the future Government of Micronesia is determined, the United States will assist in funding for the planning and construction of new facilities for such government. The level of such assistance will be subject to the ultimate authorization and appropriation authority of the U.S. Congress.

Can you elaborate on the current position of the Department on the capitals?

Mr. MONTOYA. Yes, sir; I can. There's a balance remaining of $14.2 million that we in the administration accept as an obligation. Of that $14.2 million, the breakdown is the Federated States of Micronesia have a balance of $9 million, the Republic of the Marshall Islands, $2.6 million, and Palau, an additional $2.6 million, for the total of $14.2 million.

In previous years, and I think it's 2 years running, the administration had those capitols in our budget request. In both instances, those requests were turned down by the Congress. And it was our feeling, as we were preparing the President's budget, that when Congress felt that it was time for us to go forward with the funding of the capitols, that Congress would go ahead and appropriate that money.

We fully accept the obligation and intend to keep it. The question of when those funds come on line was the question that was open.

Regarding Bikini, we, again, accept the responsibility for that. There was a suit that was settled by the United States and the counsel for the Bikinians that requires that certain criteria have to be met before we will go forward with the request for moneys for the resettlement of Bikini.

Your colleagues on the House side created a committee called the Bikini Atoll Rehabilitation Committee [BARC]. As an agreement in settling the lawsuit, the Bikinians have to accept the report of BARC.

Second, the report—well, the report has to be drafted first. Second, it has to be approved and accepted by the people of Bikini. And then third, the plan has to be developed to give us a bottom-line figure that we could use to submit a request for appropriations.

So those three conditions have not been met as yet. They had not been met at the time of formulation of the President's budget. That does not mean that we don't accept our obligation to the people of Bikini.

CAPITOL RELOCATION

Senator MCCLURE. Mr. Montoya, I'm a little bit concerned that we may be talking past each other or perhaps shifting the emphasis on the capitols because you didn't request money for the capitols last year or this year, as I recall.

Mr. MONTOYA. That's correct.

Senator MCCLURE. And the year before that, when you had requested the money, we shifted that money for the capitols which were not then ready for construction to complete the funding on other capitol requirements which you had only partial request for.

It doesn't do much good to put in a runway if you don't have any lights or control facilities for an airport runway, which is what you had asked us to fund. We took the money that you had asked for and put it on the immediate thing to complete another capitol improvement that we had an obligation to do.

Now it doesn't seem to me to be quite honest with the people out there to say that since Congress insisted on completing programs that were only partially completed, that that's a congressional determination that we shouldn't go forward with the capitols.

Now maybe we don't understand one another, but it appears to me that the administration is trying to pass the buck.

I didn't run for President. I wasn't elected President. I didn't appoint the Director of OMB. Those are administration responsibilities.

Mr. MONTOYA. At the time, I think I was just moving into the chair, so to speak, and I recall the discussion that was held with my predecessor and then in subsequent years, with me, on the same topic.

And I think the points that we made at that time is we felt that our obligations had been met consistent with the 5-year capital improvement plan that provided for certain infrastructure that we, the United States, would provide for.

There were several add ons that were added by Congress in that first budget——

Senator MCCLURE. Can I stop you right there?

Mr. MONTOYA. Yes, sir.

Senator MCCLURE. And I apologize for interrupting, but, as you know, you appeared before me twice in two different incarnations, one down here in the appropriations process and another one up on the third floor in the authorizing process.

In the appearance before us in the authorizing committee, one of the questions I submitted to you which was answered, this question—does this mean that the administration believes the U.S. commitment for the capitols has been met?

Answer—the administration does not believe the U.S. commitment has been met, et cetera.

Now, that's this year. That's not last year. In the space of a few weeks, your story has changed.

Mr. MONTOYA. I don't think so, Mr. Chairman. Capital improvement project, meaning infrastructure, versus capitol relocation.

We, in the administration, felt, and feel—well, felt at that time, that our commitment for the 5-year capital improvement program had been met. Congressional addons had been added to that list.

However, we know that our commitment to build or relocate the capitols, as in seat of government, has not been met. We as an administration accept that obligation to provide the additional $14.2 million.

There was a point in formulating the President's budget that it was an administration opinion that when Congress was ready to provide the funds for the capitol relocation, that they would add that money, sir.

BUDGETING FOR CAPITOLS

Senator MCCLURE. We're going to add it, even though you haven't asked for it?

Mr. MONTOYA. That's correct.

Senator MCCLURE. Now you know something about budgeting. And you know something about the Budget Control Act and you know something about Gramm-Rudman-Hollings.

How do you add today? We used to just add it and charge it to the deficit. How do we add it now if we're not going to add it and charge it to the deficit?

The bill, which is now law, which the President supported and signed, says if you're going to add something, you're going to have to subtract it from something else.

What do you propose we subtract in order to add?

Mr. MONTOYA. The only other possibility would be to submit it in future years, Mr. Chairman.

Senator MCCLURE. But that doesn't meet the commitment, then, does it?

Mr. MONTOYA. We have not met the commitment as yet, that's correct.

Senator MCCLURE. And I don't think you can simply say that, well, Congress didn't agree with us in the past, so it's off our shoulders and on to the Congress'.

I accept the fact that Congress has a responsibility here. I think the administration does, too. And you don't help us meet that collective responsibility of the U.S. Government if you don't even request the funds.

You're not too bashful in some other areas requesting actions of the Congress. I can show you budget request after budget request after budget request that have been submitted in each of the last 3 years, budgetary actions that Congress has rejected, that the administration has attempted to reverse by deferrals and/or rescisions, which were in turn rejected by the Congress, which were again submitted in the next budget. Again, we went through the same litany.

This seems to be about the only place I can think of where the administration has said, well, the Congress has decided that. That's up to them and we won't make any more suggestions.

I don't think you can do that. I think, as a matter of fact, we have a joint responsibility, you and I, the administration and the Congress, to see that the commitments made to the territories are carried out. And that includes that every States' request must be made. The attempt must be made.

Whether we succeed or not is something that neither you nor I totally control. There are a lot of other players involved in this.

Did you ask OMB when you submitted your budget request this year for the inclusion of these funds?

Mr. HEGGESTAD. Mr. Chairman, it was not in the request that went to OMB.

Senator MCCLURE. So the responsibility is yours and not OMB's.

Mr. HEGGESTAD. That's correct, Mr. Chairman.

Senator MCCLURE. They'll be grateful to know, for once. [Laughter.]

Mr. HEGGESTAD. I will say it was considered during the formulation process. At the time the budget was being prepared, the only congressional action on the 1986 appropriations bill included House action that had appropriated money for the completion of the capitol facilities. That was the reason it was dropped at the departmental level.

Senator McClure. The budgetary process is a very long one. I understand some things get initiated and not adjusted.

BIKINI CLEANUP

The committee has been made aware—excuse me. Before leaving that, a similar question. And I don't mean to beat a dead horse, it's similar, but it's at the same time different with respect to the Bikini cleanup.

I have to assume from your budgetary posture that even though an agreement is reached, that it is not your plan to make any expenditures with respect to Bikini cleanup until fiscal year 1987.

Is that correct? Excuse me—fiscal year 1988.

Mr. Montoya. Last year, we had talked about things that could get us to that end. The first thing we wanted to do was to move some of the Bikinians to Bikini Atoll.

As I said before, the Bikini Atoll Rehabilitation Committee was set up. Mrs. McCoy, as I recall, last year made the statement that, in her opinion, and in the opinion of the Department of Energy, Eneu, which is one of the islands within the Bikini Atoll, was available for resettlement at that time, today, tomorrow, and forever—not quite put that way.

But Dr. Kohn, that heads up the committee, reaffirmed that position the day before yesterday, saying that Eneu could be settled immediately.

We are providing $237,000 for planning of that base camp. So, in my opinion, we are moving in the direction, Mr. Chairman, to meet that obligation. The questions that were raised the day before yesterday were how many are going to want to move? The counsel, and I don't want to pretend to speak for Mr. Weisgall, made the point that there are Bikinians that live in other places that are not going to necessarily want to move.

The Bikini council will need to decide who is going to move back to Eneu.

I have been to Bikini. I have been to Eneu. I feel very good about it. We looked at the three methods that are being studied right now to make Bikini habitable. Not that it's not habitable right now, but, rather, there are problems because if the Bikinians eat the coconuts, breadfruit and locally grown foodstuffs, the cesium intake would increase above an acceptable level.

They are pursuing three different methods of making agricultural production acceptable there. One is a flush method where they flush the lands with seawater and somehow that fools the plant in taking some of the minerals or elements in the seawater rather than the cesium, thus the cesium intake is reduced.

Another is scraping, where you scrape anywhere from 1 foot to 18 inches of soil and just do away with it.

The third is infusing massive amounts of potassium. It fools the plant into taking the potassium, which is more easily attainable out of the soil than the cesium.

Again, Bikini could be settled immediately if the people just wouldn't eat the coconuts. We're going to have some very expensive coconuts in Bikini once we get this problem settled.

So the short answer is that we're moving, in an appropriate fashion and in a timely way, to meet our obligation to the Bikinians.

BARC REPORT

Senator McClure. You make reference to a committee. My understanding is that committee has filed what they believe to be the final report.

Mr. Montoya. No; that was a preliminary report.

Senator McClure. My understanding is they characterized it as a final report and that the action now lies within the administration and with the Bikinians.

Mr. Montoya. I would take issue with that. I would think that their findings on Eneu are complete. And we have accepted that portion and that's why we're looking at this $237,000.

On Bikini, though, and they made the point in their testimony, that because they are now finding some success with these other methods, the report is not final for Bikini proper.

Senator McClure. Didn't they say that any of those methods would work and somebody has to decide which one to use?

Mr. Montoya. No, sir; where they're going right now, and I'll look to Larry Morgan in a second to see if I'm accurate on this, is that they know it has some temporary effect, but they don't know the duration of this fooling the plant.

So that's the part that's not settled yet. They don't know if this is going to last for one growing season or whether it will last for two.

So, in my view, and I think what they were telling us as well, unless I grossly misunderstood them the other day, the court [illegible] this. They still have some more studying to do on this top[illegible] can come up with the final report.

Senator McClure. Well, I will check with them to n[illegible]rtain whether or not they understand it the same way you do.

Mr. Montoya. Am I correct on that, Larry?

Mr. Morgan. Yes; Dr. Kohn testified before the House Appropriations Committee, in which he said it would take approximately 1 to 1½ years to complete the study. They have completed the first growing season and as the Secretary pointed out, the results indicate the cesium uptake has been reduced by as much as 95 percent. They don't know why and they're not willing to accept just one test.

So we're now in the second growing season in which they will take those plants into the laboratory and again try to determine if the cesium uptake has been reduced. Obviously, if that uptake is reduced and it can be accomplished by this method, it would be much cheaper to use than the scraping method. One of the reasons we cannot put forth the request for funding at this time is we don't know what method is going to be used and we don't know what it's going to cost.

Dr. Kohn's study currently estimates it will be $57 to $87 million to clean up, depending on which of the three methods is used. And he speculates another $16 million for the community redevelopment.

But he makes it very clear that those are very speculative figures.

Mr. MONTOYA. And Mr. Chairman, I would like to add that I am totally committed to this project and I think all of us that have been involved with the Bikinians are in the same mind.

When I was in Kili, we made a commitment to the Bikinians to move them as soon as it was safe, and it's a commitment that I take very seriously.

DESIGN OF ENEU BASE CAMP

Senator MCCLURE. Mr. Secretary, is the $237,000 sufficient to do all the work you can now identify as being appropriate to do during 1987?

Mr. MONTOYA. At this time, in my opinion, yes.

Senator MCCLURE. And that which has already been identified as appropriate and you say is ready to do, can be fully funded, which is $237,000, for the balance of this year and 1987.

Mr. MONTOYA. That's right. It would be the planning, and it's our position that we would use the trust fund to pay the rest of the resettlement. As the trust fund name states, the purpose of it is to resettle Bikini.

Eneu, in our opinion, is part of Bikini and, therefore, funds should come out of the trust fund to set up that base camp. There's $22 million plus that's in that trust fund.

FEDERAL PROGRAMS IN THE COMPACT

Senator MCCLURE. The committee has been made aware of concerns by representatives of the freely associated States the programs and services which were added to the compact by Congress under section 105 are not being continued as intended.

As you know, section 105 provides for the continuation of many Federal programs that are not necessarily Interior programs.

Are these programs not being continued because of a transitional problem?

Mr. MONTOYA. No; Mr. Chairman, I think you were involved in the process when we were discussing the legislation. Mr. Seiberling, I think, inserted many of the addons that we consider authorizations. We've discussed this at great length, but the chronology, as I understand it, and not being a part of that negotiating group, I'm taking this as best I can, is that the compact was negotiated in good faith, one document. It was initialed by the two negotiators, Mr. Zeder, acting for the United States, and the various people that were named as negotiators for their respective governments for each of the islands.

Once that was initialed and approved, it went to a plebiscite. The original compact was voted on and approved by the people of the various islands. That was an obligation that the United States accepts and understands and has requested appropriations for, and we know that.

When it came up here to Congress, there were some various additional moneys that were added that totaled approximately $105 million. That additional $105 million was not something that was considered as part of the original package that the administration accepts responsibility for.

So what we requested were those funds that were in the original compact, not the authorizations that are in that legislation.

CONGRESSIONAL CHANGES TO THE COMPACT

Senator McCLURE. I understand that under our constitutional system, it is the responsibility of the administration to conduct foreign policy in the division of authorities—that hiss in the background is not really related to either the questions or the answers. [Laughter.]

It has something to do with the temperature in the room.

That the administration negotiates an agreement. The agreement then ratified by the peoples affected by the compact comes to the Congress. The Congress then modified the agreement.

Now that doesn't necessarily bind the peoples who voted, but I think it binds the administration, particularly when the President signs the result. It becomes the law of the land.

My understanding is you're trying to drive a wedge between that which you've originally agreed to and that which the Congress added and say, we'll take what we originally agreed to, but it's more important that we agree with the peoples out there than to agree with the Congress, which ignores the fact that at the next step in that process, the President of the United States accepted the result.

He's your President. He's my President. He's Jim Miller's President. He is the President of all of the United States. And he said those add ons are part of the deal. That's what the law says. That's what the compact now says.

Point No. 1—I don't think you can evade the law.

Two, the second point is that it doesn't require any more appropriations. Those moneys are appropriated and you're talking about the Public Health Service, the Forest Service, and programs under commerce.

The legislation simply continued eligibility. And if that's true, then it seems to me that you have an obligation under the law to continue to fund those programs as mandated by the compact, not compact sub A or compact sub B.

Mr. MONTOYA. Mr. Chairman, I recall the section 111, which is the tradeoff portion, as I call it, dealing with the tax and trade issues.

Senator McCLURE. Yes.

Mr. MONTOYA. I was involved in that because that's economic development and that's something that we're acutely interested in. Either precompact or postcompact, that's something that we have an obligation to move forward with.

Now we did accept responsibility and the obligation to provide and request for the funds to compensate, or tradeoff, with the Federated States of Micronesia and with the Republic of the Marshall Islands for certain moneys that they anticipated would be lost because of the change in the game plan, so to speak. Where the trade and the taxation portions would be changed substantially, I think the dollar amount was set.

Therefore, the administration came forward with a request of $20 million for the Federated States of Micronesia and $10 million for the Republic of the Marshall Islands, as well as eligibility for the Small Business Administration, Economic Development Administration, Federal Deposit Insurance Corporation, Rural Electrification Administration, and Job Training Partnership Act moneys.

We accepted that.

There were a number of other issues that were above and beyond what had been negotiated, as I have been told by our negotiators, and were completely outside of the realm of the compact.

We don't accept an obligation on those. We view those as authorizations. And they were not part of the package that was negotiated.

If the President had a line-item veto, I would imagine that this $105 million that has been talked about on the Hill would not be an issue because he would have line itemed it out. But, unfortunately, we don't have that opportunity.

But I would like to defer to Mr. Berg, who was part of the negotiating team, to talk about whether that particular section we are dealing with was part of the negotiated agreement.

ELIGIBILITY FOR FEDERAL PROGRAMS

Senator McClure. Well, maybe I can refocus the inquiry in a slightly different way.

It appears that various Federal agencies who are involved do not have a clear understanding of what was intended under the compact arrangements with respect to continued eligibility for existing program benefits, that because they are not certain, they are not administering the law in a way to extend that eligibility and the people in Micronesia don't have a clear understanding of their eligibility, either.

Is that the source of the problem?

Mr. Montoya. Mr. Berg?

Mr. Berg. Thank you. I believe, Mr. Chairman, that with respect to the existing Federal programs, the ones that now apply in the trust territory and that would continue, or the new ones that were mentioned by Mr. Montoya in connection with the compensatory adjustment section of the law, that there is not a question of eligibility.

There is, as you probably know, a short-term problem created by language in an appropriation act that we have to deal with this year, the HHS Appropriation Act that is having the effect of right now stopping the use of fiscal year 1986 dollars for some of these programs. And I think one of them is the Job Partnership Training Act program which is included in there.

But aside from that problem, which I think the administration and Congress are attempting to deal with, I don't think that there is a question with respect to the eligibility matter.

On the section 105 programs—that is, the ones that are outside of the compensatory adjustment section—these authorizations do not necessarily create eligibility in existing Federal programs. Many of them are special purpose activities. There is, for example, an amount authorized for a communicable disease control program. There is, for example, specific amounts authorized for education that link in not to existing Federal programs as much as to specially created activities.

So here, we would not have a situation where an agency would be unaware of the policy with respect to continuation, because a number of these 105 matters are new and special purpose activities that have not existed before in the form of other agencies—by which I mean non-Interior Department Federal programs.

Senator McCLURE. Well, there are two or three questions perhaps that are involved here. Maybe we have agreement on two of the three.

One is there are section 111 programs. There are listed section 105 programs.

Now, as I understand it, the Public Health Service, the Farmers Home Administration, and legal services are not a part of the section 111 program.

Mr. BERG. That's correct, sir.

Senator McCLURE. And they are a part of section 105?

Mr. BERG. That is true.

Senator McCLURE. And there's no question on eligibility.

Mr. BERG. That is true.

Senator McCLURE. If that is true, why aren't they getting any money under those programs?

Mr. BERG. Well, let's take them one by one. For legal services we would not normally request a separate or discrete appropriation for the Micronesia Legal Services Corporation. They are funded out of the national Legal Services Corporation [LSC] subsidy from the Federal Government.

I know that the administration has proposed the elimination of the Federal subsidy to the national Legal Services Corporation. If, in fact, that happens, then the program would end for all recipients. If, in fact——

Senator McCLURE. That hasn't yet happened for any recipient.

Mr. BERG. Right. If it does not happen and Legal Services Corporation nationally receives its subsidy, then Micronesia Legal Services Corporation would be able to receive its subsidy from LSC.

With respect to the Public Health Service, there is not a question of eligibility. We are in agreement, I believe, on that.

And with respect to the Farmers Home Administration, there is not only not a question of eligibility, but that, too, is a program that would not require a discrete appropriation. That program, to continue to operate, would operate out of its existing fund.

Senator McCLURE. I think that's correct, there are existing funds.

Mr. BERG. Correct. Existing loan funds, that is, and I think they also have in their administrative budget sufficient resources to process and service the existing portfolio in Micronesia.

Senator McClure. Well, now, when you say they have sufficient resources——

Mr. Berg. That is the Farmers Home Loan Administration.

Senator McClure. Are they doing it?

Mr. Berg. As far as I know, they are, and I believe they plan to continue.

CUTOFF OF FISCAL YEAR 1986 FEDERAL PROGRAMS

Senator McClure. How about the Public Health Service?

Mr. Berg. The Public Health Service is continuing its programs. And, as I said, it's not a question of eligibility. I referred earlier to an existing 1986 fiscal year problem with Public Law 99–178 that has had the effect of fencing off the use of fiscal year 1986 Federal financing after January 14 of this year, which was the date of enactment of the compact.

That, I think most people believe, is having an inadvertent effect. It was not originally anyone's intention to stop Federal programs the day the President signed the compact.

So moves are afoot within the administration and here on the Hill, I think, to correct that particular problem.

Aside from that problem, though, eligibility is not affected.

Senator McClure. You say moves are afoot. What are they and how fast are they moving or are they just under foot? [Laughter.]

Mr. Montoya. Senator Johnson, I believe as early as this morning, offered corrective language that was pretty much at our request, Mr. Chairman.

As soon as we heard about the problem, and I'm embarrassed to say that we heard about it after the fact, we were on it immediately—Mr. Berg's office, our office, and the High Commissioner contacted us, that the problem was going to indeed be a problem. The Micronesians came in and cited the extent of the problem.

We went to those committees and said, there's a kink in the system and we need to resolve this.

So we have been working aggressively and those are the moves that are afoot to correct that. My office has taken, or is about to take, action to provide fourth quarter allocation of their funds to make up for any hiatus that might take place between now and when compact funds become available.

Senator McClure. Can you assure the committee that all programs and services to be continued under the compact will be continued with a minimum of disruption?

Mr. Montoya. One of the things that Mrs. McCoy and I hope to discuss, is a smooth transition, because we know that this first year under termination is going to be a difficult time.

So I think that we can, again, minus the Public Law 99–178 issue.

Senator McClure. I want to turn to that for just a minute because I think that was added to assist the transition, not to be an arbitrary cutoff.

Do you understand it that way?

Mr. MONTOYA. I'm not clear on the reason.

PHASE DOWN OF HEALTH AND EDUCATION PROGRAMS

Senator MCCLURE. All right. There was an additional adjustment made, or an attempt to phase through the transition period over a 2- or 3-year period certain health and education programs that are not specifically covered under section 111 or section 105, discretionary authority.

I think you're aware of that.

Mr. MONTOYA. Yes.

Senator MCCLURE. Is that authority being used to continue funding during the transition period?

Mr. MONTOYA. I know that in education, the Pell grants are being continued for 4 years to get the students that are in the pipeline out through their college term and graduated.

I'll defer to Mr. Berg on the other issues.

Senator MCCLURE. I think the Pell grants are under the compact itself and not under the discretionary authority.

Mr. BERG. Mr. Chairman, are you referring to what once took the form of a 3-year kind of provision?

Senator MCCLURE. Yes.

Mr. BERG. That would have, pursuant to compact section 224, given to the President the discretion that might otherwise have resided in Congress on the basis of individual acts——

Senator MCCLURE. Yes.

Mr. BERG [continuing]. To continue those programs? I don't know that that particular language is in Public Law 99–239. Section 224, however, remains in the compact.

Senator MCCLURE. Right.

Mr. BERG. And so, therefore, we would be in a position, although legislative action would likely be required, to see to an ability to continue specific Federal programs on a case-by-case basis.

Senator MCCLURE. You don't think the compact gives you that authority?

Mr. BERG. Our understanding of compact section 224 with regard to Federal programs has been that they can extend in the future on the basis of mutual agreement between the United States and the freely associated States, but that for the United States, we have felt mutual agreement to mean that the executive branch had the proper authority provided by Congress to extend the program.

In other words, perhaps to overcome the hurdle of eligibility.

Now, Congress has provided that authority by approval of the compact to all the agencies and institutions of the executive branch with respect to the generic class of things under technical assistance. But if you're talking about specific operating categorical grant programs, I think we tend to differentiate there and view that as something that we would have to seek congressional authority, or we would have to have a specific element of congressional authority to continue it.

Senator McClure. That may be an area, certainly an area of problem—I was going to say an area of disagreement. But I would invite you to review that and submit to the record for us both your understanding of the legislative history and the legal effect of that provision as viewed in light of the legislative history and what your legal constraints are and why you conclude that, if you would.

We will do the same.

Mr. Berg. OK.

Senator McClure. I wonder if you could turn that around pretty fast, if you could get that to us by the middle of next week.

Mr. Berg. Yes, sir.

[The information follows:]

LETTER FROM JAMES D. BERG, POLITICAL AND ECONOMIC OFFICER, OFFICE FOR MICRONESIAN STATUS NEGOTIATIONS

May 8, 1986.

Hon. James A. McClure,
Chairman, Subcommittee on Interior and Related Agencies,
Committee on Appropriations, U.S. Senate, Washington, DC.

Dear Mr. Chairman: During the subcommittee's May 1 hearing on the fiscal year 1986 supplemental and fiscal year 1987 regular administration budget requests for the compact of free association, you requested that I provide additional information regarding the administration's interpretation of the provisions of the compact and its implementing legislation with respect to the extension of U.S. Federal programs to the freely associated States. The following statement is provided in response to your request and as a supplement to the comments made by the administration witnesses at the subcommittee hearing.

"The compact of free association, in its section 171, provides that all laws of the United States that had applied to the freely associated States during the trusteeship period will crease in application on the effective date of the compact unless their application is provided specifically in the compact or its related agreements. The laws of the United States referred to in section 171 include the laws that authorize the extension of U.S. Federal programs to the freely associated States. With respect to the future applicability of Federal program statutes to the Freely Associated States, the compact provides, in section 224, that Federal programs and services additional to those already extended by the terms of the compact can extend to the freely associated States on the basis of mutual agreement between the United States and the freely associated States and in accordance with the laws of the United States. Section 224 was drafted in this manner to protect the freely associated States from an undesired imposition of Federal programs by the United States and to require that U.S. agreement to the extension of additional Federal programs could only occur in accordance with, that is, as authorized by, the laws of the United States. Nothing in the compact implementing legislation (U.S. Public Law 99-239) alters this arrangement as the general rubric for the extension of additional Federal programs. What Public Law 99-239 does do, however, is create eligibility for the freely associated States to participate, in competition with other recipients, in certain additional, and named, Federal programs. As was discussed in the May 1 subcommittee hearing, eligibility was authorized by Public Law 99-239 for freely associate participation in the programs of the U.S. Legal Services Corporation, the U.S. Public Health Service, and the Farmers Home Administration. Further, section 111 of Public Law 99-239 authorizes the eligibility of the freely associated States for participation in the Federal programs and services names in paragraph (a) of that section. Public Law 99-239, however, does not appropriate funds and thus the level of freely associated State participation in the programs and services for which that law authorizes eligibility cannot now be predicted and remains to be resolved in accordance with the statutory and regulatory requirements that obtain with respect to each specific program."

I would be pleased to provide additional information to the subcommittee if you desire.

Sincerely,

DENNIS K. DOLAN,
(For James D. Berg,
Political and Economic Officer).

COORDINATION WITH MICRONESIAN GOVERNMENTS

Senator McCLURE. Was the requested funding for the compact coordinated with the Marshall Islands and the Federated States of Micronesia?

Mr. MONTOYA. To the extent that it reflected the amounts that were in the original compact, Mr. Chairman, the numbers that were in the compact.

Senator McCLURE. I didn't ask you if they complied with the compact. I asked if your budget request was coordinated with them?

Mr. MONTOYA. No, sir.

Senator McCLURE. Yes, sir?

Mr. MONTOYA. No, sir.

Senator McCLURE. No, sir; why shouldn't you coordinated with them so that a discrepancy doesn't exist in the understanding?

Mr. MONTOYA. Well, the numbers were pretty much set.

Senator McCLURE. Well, there's an argument over that, isn't there?

Mr. MONTOYA. Only on the authorization questions——

Senator McCLURE. Well, if you consulted with them, you might have found that earlier.

Mr. MONTOYA. Well, we had a pretty good idea that if Congress provided the money, they wouldn't turn it down.

Senator McCLURE. You had a pretty good idea of what your understanding was, but you didn't have a pretty good idea of what theirs was, did you?

You didn't ask.

Mr. MONTOYA. We knew that they voted on a certain item and that certain item was the compact that the administration sent forward.

Senator McCLURE. Well, it's easy for me to read it and understand it exactly the way I understand it. That doesn't necessarily mean you and I read it the same. And if we don't talk to each other about it, we'll never know whether we read it the same way.

We just found out in the last few minutes that there's perhaps a misunderstanding or a different understanding between you and me.

Mr. MONTOYA. After the compact was passed by the Congress, many of the delegations came through the office and they talked about what their understanding was.

In that regard, we did have a dialog and I did make the administration point of view very clear to them that those items that are obligations would be sought in an appropriation. Those items that we viewed as addons would not be included in the President's request in the subsequent budget years.

Senator McClure. Well, I would hope that as you develop future budget requests, you will consult with them as to whether or not they believe your request complies with the compact in statutory terms.

Mr. Montoya. Again, Mr. Chairman, I think that once we get into operating the compact itself, we'll be able to shake out some of these bugs and, of course, we'll have clear delineation of each other's responsibilities and who's going to do what with whom.

So I do see an ongoing dialog with the government.

Senator McClure. Well, what I'm urging is really a coordinated effort so at least you will understand what their point of view is and you'll be able to come to us saying, yes, we talked to them about that. We know what their point of view is and we made this decision, and that prior to your submission of the budget that conversation would have taken place.

Mr. Montoya. Mr. Chairman?

Senator McClure. Yes.

Mr. Montoya. I know exactly what their point of view is and where they were coming from and I think the Office of Micronesian Status Negotiations also knew what their understanding was. But they're the ones that signed the agreement.

Senator McClure. But what the agreement means can vary according to the understanding of different parties, can't it? That's why you have lawyers and courts, because people argue over those things endlessly.

If you never talk to each other about what they are, you say you understand, but if I take that one step further, they understand where you stand and there's no need for further discussion.

All I'm suggesting is that's not necessarily the best way to resolve questions.

Mr. Montoya. I can assure you, Mr. Chairman, in all my discussions with the governments, I have been very candid and open about what I anticipated the administration position to be at that particular point in time, when we were coming before you for appropriations. I have never made that a secret to them and we have had numerous discussions with the governments, not just my office, but also the Office of Micronesian Status Negotiation.

Senator McClure. All right. They know that you didn't request certain funding. Do they know why you didn't request certain funding?

Mr. Montoya. I have made that point abundantly clear. I don't want to speak for Mr. Berg, but I think OMSN as well has made it abundantly clear what the administration's position is regarding these addons.

TRANSITION FUNDING ISSUES

Senator McClure. Well, how about—well, I don't mean to beat this to death—but the Micronesians view certain things as being legitimate transition funding questions. I'm not certain that they understand why you don't regard them as legitimate funding questions for the transition.

Until we get to this point of these formal hearings, I don't always understand why you don't regard them as legitimate funding questions and occasionally after the hearings, I still don't understand. [Laughter.]

For instance, the capitols.

Mr. BERG. Mr. Chairman?

Senator MCCLURE. Yes, sir.

Mr. BERG. Not necessarily in response to the point about the relocation of the capitols, which was addressed earlier——

Senator MCCLURE. Yes.

Mr. BERG [continuing]. But with respect to a number of the so-called transition issues, a lot of these things came up in the negotiations.

Senator MCCLURE. On the compact.

Mr. BERG. Yes; that's correct. And they came up in the context of the fact that the Micronesians or Marshallese or Palauan delegations felt that they should be addressed directly in the compact of free association. Funds should be identified, et cetera.

It was the executive branch's position during the negotiations that we were providing grant assistance to the freely associated States for current account and capital account purposes, operations and economic development, if you will, and that we were dealing with an amount of funding that they, if they wanted to and if it was within their priority structure, could devote to any of a number of these projects.

We did not comment on the projects in the sense of their worthiness or unworthiness, and I think all of us in the administration who have been involved in the affairs of the trust territory understand where these came from, how they were identified, and what their importance is to the freely associated States.

But our position always was that if they are to be funded, they should be funded out of compact funding, at the expense, perhaps, of other equally worthy or slightly less worthy projects.

When they came——

Senator MCCLURE. Just for a point of clarity at that point——

Mr. BERG. Yes, sir.

Senator MCCLURE [continuing]. That didn't include the capitols.

Mr. BERG. No, sir; that is something that we consider to be a special commitment over and above the compact funding that was adhered to, not just by this administration, but by previous administrations all the way back to the time that the Congress was considering the Northern Mariana Islands Commonwealth covenant.

But with respect to these other items, they did come up in the discussions that took place among the administration, the Senate, the House, and the Micronesians when the compact was being considered.

I know for sure that the administration spokespersons during those periods said, when we finally were authorized to say that we would live with the existence of some of these addons in the legislation, we did say that we view them as authorizations.

An authorization of funds does not carry with it a necessity for funding in any particular year. These are open-ended authorizations.

APPROPRIATIONS FOR FEDERAL PROGRAMS

Senator McClure. But are you suggesting that we are going to have to have separate, special appropriations for each of these items, even though they're generally Federal programs, that we'll have to, in effect, have a separate appropriation for each of these programs for the portion that flows through to the freely associated States?

Mr. Berg. Well, I think——

Senator McClure. I don't really think you mean that.

Mr. Berg. No; because I think our general hope has always been, and the administration's general approach has always been, that there should be a unified budget for the compact.

I think that the legislation contemplates that kind of arrangement in section 105(b), although it may create some difficult budgeting problems and fund allocation problems in the way it's worded.

But I think the contemplation of a unified compact budget is there. And it states that it shall be appropriated to the Secretary of the Interior. And the Secretary of the Interior is also provided with the legislative authority to coordinate and monitor not only the compact appropriation, but also any other Federal programs that might extend or might operate in the freely associated States during the period the compact is in effect.

So, the central compact funding and the funding appropriated pursuant to the enacting legislation is, in fact, to flow through the Department of the Interior and the Interior budget channel. Even with respect to those Federal programs that operate out of their own funding—in other words, eligibility is created, but HHS or Education might have their own funding that they could continue—those programs are clearly subject to the coordination and monitoring responsibilities of the Secretary of the Interior.

So, not only in terms of the major flow of dollars, but also in terms of the way the Federal programs and financial activities are administered, there is, in fact, a unity that's created in the legislation.

And I think the administration intends to reflect that fully and strongly in its practices and in the Executive order.

UNIFIED COMPACT BUDGET

Senator McClure. Well, I'll not take the time this afternoon to pursue that in great detail. But suffice it to say at this time, we will ask some further questions in that regard because the unified budget concept is not wholly consistent with our current practices in every other instance. And I don't believe that unless we do that for American Samoa, where we do it to a greater degree than we do for the Virgin Islands, or Puerto Rico, that we don't have unified budgets in those instances, completely unified budgets.

Mr. Berg. I think that's correct. And I don't think that the administration is proposing that every single dollar go through a unified budget.

Obviously, by talking about the eligibility of the freely associated States for these other Federal programs, and not including funding in the Interior budget, if there is funding in public health and they are eligible and there is no other legislative constraint like this Public Law 99-178 issue, then that funding should flow to them and need not——

Senator McClure. And it would not be in a unified budget request.

Mr. Berg. That's correct, except that the provision of that program by statute now must be coordinated and monitored by the Secretary of the Interior.

Senator McClure. And the agency, in developing its budget request, and the administration, in granting that budget request and submitting it to the Congress, will flow through that specific program the amount of money that would be spent in the freely associated States.

It will be separately—no, excuse me—it will not be separately stated in the unified budget. It will be merged into the request of the specific agencies.

Mr. Berg. That's right. I think section 105 says that funding appropriated pursuant to the compact or this act, which is Public Law 99-239, must go to the Secretary of the Interior.

Senator McClure. Yes.

Mr. Berg. Literally, Public Health Service funding is not appropriated pursuant to that act, so it's not required to go to the Secretary of the Interior.

Senator McClure. I think we're in agreement on that point.

Mr. Berg. Right.

Senator McClure. And I think that's the appropriate way for it to be done.

I was a little startled when you suggested that it all be in the unified budget because I did not understand that at all.

Mr. Berg. Well, I think in terms of the major compact funding and the immediately associated funding, say, for example, the compensatory adjustments, the administration wants to be able to treat that as a unified budget through the Interior channel.

Senator McClure. But not everything administered by the Interior in the Interior channel is going to go through that unified budget.

Mr. Berg. I think that's correct.

Senator McClure. OK. If you find out later that you're not supposed to think that way, let me know. [Laughter.]

TRUST TERRITORY DEFICIT

The trust territory government has a deficit of about $13 million. In addition, there are lawsuits or settlement discussions that could increase this figure up to $40 million.

Since there will no longer be a continuous source of funds to the trust territory government, you will no longer be able to roll over the $13 million deficit.

What are the Department's plans as far as funding these claims?

Mr. HEGGESTAD. Mr. Chairman, we now have a relatively good estimate of what that deficit is. Touche Ross has conducted an audit. They have identified the deficit as approximately $13.5 million.

We do not come to a crisis point until we get near the end of the capital improvement program and all the funds flush out of the trust territory account. That's around 1989, at least.

We are considering funding that in our 1988 budget process. And if we do that, I don't believe we would have a crisis situation.

Senator MCCLURE. But you believe you can roll it over through 1987 and into 1988, if necessary?

Mr. HEGGESTAD. It has been rolling over up until this point, and I do not believe we reach a crisis until at least 1988.

REAPPROPRIATION OF CAPITAL IMPROVEMENT MONEY

Senator MCCLURE. Part of the fiscal year 1986 supplemental request includes a reappropriation of $56.5 million. The majority of this is a simple shift from operations accounts for the Trust Territory of the Pacific Islands to the compact.

However, I note that $3.663 million of this comes from a capital improvement account.

Can you be a little more specific on this $3.663 million from the capital improvement account?

Mr. MONTOYA. Yes, sir; I would like to yield to Dave Heggestad for that question.

Senator MCCLURE. Let me ask another question so you can perhaps answer them at the same time.

Shouldn't capital improvement projects which decisions were made for the compact be funded separately and not reapportioned into the compact?

Mr. HEGGESTAD. Let me try to answer those questions.

First, as to the specifics, there were three capital improvement projects specifically appropriated in the 1986 appropriations act for Interior. That included approximately $1 million for power improvements in the Federated States of Micronesia, approximately $800,000 for a dock at Jaluit in the Marshalls, and $1.9 million for water improvements in Majuro.

The administration's position was that because we were seeking retroactive funding of the compact back to October 1, 1985, or the beginning of fiscal year 1986, these projects could be funded from the capital accounts that are being sought for appropriation through the compact.

Senator MCCLURE. I can understand why you might like to do that. But is that really responsive to the law or to the compact?

There were specific appropriations for capital improvements made prior to the date of the compact. There's nothing in the compact that says, OK, now those capital improvement projects we don't have to pay for separately.

The compact itself was approved by the Congress subsequent to the appropriation. I would think that the Congress can fairly be said to have understood in approving the compact that they had funded the capital improvements and were funding further capital improvements under the compact—not the same ones, but different ones.

Would you care to comment?

Mr. HEGGESTAD. I understand your point. These projects, we assume, were of a high priority to those governments.

Senator MCCLURE. Of high priority to the Congress, too.

Mr. HEGGESTAD. I understand that. And because the capital account in the compact is, in essence, a block grant, these would be projects that they would fund through the compact money.

Senator MCCLURE. But they already had the money appropriated to them.

Mr. HEGGESTAD. Yes, sir.

FEDERATED STATES OF MICRONESIA POWER UPGRADE

Senator MCCLURE. In the fiscal year 1986 continuing resolution, $1.5 million was added to complete the power upgrade project in the Federated States of Micronesia. Part of the money was being used to put a floating powerplant near a tank farm in Pohnpei.

If my memory serves me correctly, this floating barge will be the third separate powerplant since the late 1950's, the second one being built in 1978.

Is that accurate?

Mr. MONTOYA. Yes, sir; it is.

Senator MCCLURE. What was the reasoning behind putting this powerplant on a floating barge?

Mr. MONTOYA. There were several reasons, Mr. Chairman. The first and foremost was we had a land problem. There was a desire on the part of the people in Pohnpei to put it close to the fuel source, which would be around the harbor. When the harbor area, the land, was looked at, it was filled land and, therefore, not very stable. And to put a powerplant on that type of land would have been very expensive.

It's long been a practice to place powerplants on floating barges. It was efficient. It was cost effective. It made a lot of sense. It made the best utilization of space available. And it got it close to its fuel source.

FUNDING FOR THE PALAU COMPACT

Senator MCCLURE. I will submit some further questions in that regard, as well as a number of other detailed questions which we don't have time for today.

The administration has transmitted a proposed compact for Palau, but has not yet transmitted a request for appropriations.

Would the administration have any opposition to a contingent appropriation on the fiscal year 1986 supplemental?

Mr. MONTOYA. No.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. I think the balance of questions I will submit for response in writing.

I do wish to thank the respective governments and my colleagues in the Congress, and you, Mr. Secretary, for your patience and the testimony this afternoon.

All members of the committee may have until the close of business on tomorrow to submit questions in writing for response in writing.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

[QUESTIONS SUBMITTED TO OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS]

Guam

Question: Your justification indicates that Guam recently took action through the Public Utility Commission to raise water rates to a level that will fully recover all operating costs of the system.

Can you explain these actions?

Answer: Review of the water and sewer rates charged by the Public Utility Agency of Guam (PUAG) resulted in the Public Utility Commission (PUC) ordering PUAG to increase rates to a full cost recovery level to eliminate the General Fund subsidy of approximately $8.0 million annually. PUAG complied with the order which prompted the Guam legislature to pass a bill to overturn the rate increase and remove PUAG from the jurisdiction of the PUC.

Question: What were the operating costs and revenues associated with the water system before this action?

Answer: Annual operating costs were $16.0 million, while revenues were only $8.0 million. Consequently, the water system had to be subsidized by $8.0 million annually from the General Fund.

Question: Do these operating costs include the Department of Interior's interest rate differential payment to the Federal Financing Bank?

Answer: No. The Department's interest rate subsidy to the Federal Financing Bank is for the Guam Power Authority loan only. The Public Utility Agency of Guam is not involved.

Question: How much revenue did these actions raise?

Answer: If implemented, the rate increase would have resulted in $8.0 million in additional revenues.

Question: There was speculation that some of this increase may be used to give Government of Guam employees a pay raise.

Are you aware of that happening?

Answer: Yes. The Department was aware of such speculations, but it did not materialize.

Question: Late last year and early this year, there were several press reports indicating that Guam federal employees would receive a pay raise. It was unclear where these funds would come from but some speculated that it would come from the Guam Power Authority or the Port Authority of Guam.

As you know, in the FY 86 Continuing Resolution, 8.6 million dollars was provided to Interior for partial payment of a Guam Power Authority loan from the Federal Financing Bank. In addition, 1.6 million dollars is requested in FY 87 for the next payment. This fulfills part of the U.S.'s commitment relating to the interest rate differential in the refinancing of the Guam Power Authority's loan.

Are you aware of any raise in the works for Government of Guam employees?

Answer: Yes. Government of Guam classified employees did receive a pay raise amounting to $3.6 million. The Guam legislature recently passed a bill directing the Government to reclassify pay increases for all Government of Guam employees, which effectively implements an additional increase.

Question: If so, how much is the pay raise and how will it be funded?

Answer: The $3.6 million pay increase was funded by a $1.8 million contribution from the revenues of the Port Authority and a $1.8 million contribution from the General Fund. It is unclear how Guam will finance the proposed additional pay increase.

Question: Is the pay raise mandated?

Answer: The pay raise is mandated by local legislation.

Question: In the FY 86 Continuing Resolution, Congress provided 200 thousand dollars for architecture and engineering designs for a new Guam Mental Health Facility. Since A/E funds usually represent 10 percent of the total cost of a facility, Congress assumes that Guam would design a 2 million dollar facility. I note, however, that Guam has requested 4.2 million dollars for this facility. The Department of the Interior has not requested any funds for this project in FY 87.

Are the A/E plans completed? If so, what is the projected cost of the facility?

Answer: The A/E plans are not complete. It is the Department's understanding that Guam is ready to select the contractor and that design should be complete in 4-6 months.

Question: Do you disagree with the need for the mental health hospital?

Answer: The Department does not disagree with the need for this facility. The disagreement arises over who should fund it and how. Over the past three years, the Department has provided $6.6 million to Guam for health-care-related construction projects. Though continually cited by the Government of Guam as a top priority, the Department is not aware of any local funding allocated for these projects. As a result, the Department believes Guam should shoulder locally the financial responsibility for the mental health facility.

Question: Earlier this year, there was a confrontation between prisoners and prison officials at the Guam Penitentiary. One of the reasons that aided the prisoners in this confrontation was the crowded conditions at the prison.

To ease this overcrowding, Congress added 1.278 million dollars in FY 86 for a 48 bed dormitory at this prison. It was expected that Guam match this dormitory with another 48 bed dormitory funded through local revenues.

How far along are Guam's plans with respect to this dormitory? Are the Department's capacity and current population figures consistent with Guam's?

Answer: Guam is just now beginning to formulate its plans for construction of a new dormitory at the prison. The original intent was for the Government of Guam to match the Federal appropriation and build two 48-bed dormitories which would alleviate the overcrowding problem. Guam recently approached the Department claiming it could not supply the matching funds and requested that consideration be given to construction of a single 96-bed dormitory for the funds provided. As the Department's primary concern is the result and correction of the problem, the concept was approved and it was proposed that Guam be responsible for the revised A/E design and all construction costs in excess of the FY 1986 grant.

Question: The Omnibus Territories Act of 1984, authorized up to 16 million dollars for water improvements in Guam. In fiscal year 1987, you have requested 3.5 million dollars for continued work on its water system.

How much of the original 16 million authorized has been appropriated?

Answer: To date, the only appropriation against the $16.0 million authorization was $2.954 million in FY 1986. If the Department's FY 1987 request of $3.5 million is approved, the total will become $6.4 million.

Question: With the appropriations to date, have the health and development hazards on the southern and central part of Guam been eliminated or minimized? If not, what are the Department's long term plans to accomplish this?

Answer: Since FY 1979, the Department has provided $24.4 million to Guam for improvements to the water system. The original focus of the program was water supply, which is now adequate. Recent emphasis has been on improving distribution and transmission, particularly of the good water in the northern areas of the island to the southern end of the island where good water is in short supply. For the past two years through the Department's technical assistance program, a Bureau of Reclamation engineer has been stationed on Guam to assist in the updating of the water master plan, identification of critical projects, and development of an operation and maintenance plan for the system. Improvements to the water system on Guam have been significant. As a result, the quality of life has improved and deterrants to development and growth, particularly in the southern part of the island, are being minimized. Though improvements have been made, the Department continues to view water as the single most important factor to economic growth and development and an improved quality of life on Guam and will continue to request and support funding in this area as required in the future.

American Samoa

Question: Last year, the American Samoan government requested funds to reimburse themselves for the purchase of an inter-island vessel to replace another vessel that sank. American Samoa originally used funds in the "Economic Stabilization and Emergency Fund" to purchase the boat and this request is designed to reimburse that fund.

In FY 86, the House originally added 1 million dollars to reimburse the fund but the funding was deleted in the FY 86 Continuing Resolution conference, in order to fund other high priority capital improvement projects in American Samoa.

What assistance did American Samoa request from the Department in purchasing this boat?

Answer: Funding for the Manu'a boat was part of the original FY 1986 budget request submitted to the Department by outgoing Governor Coleman; however, it was not included in the President's budget. Incoming Governor Lutali requested funding for the boat at the FY 1986 Congressional appropriation hearings, which was his first opportunity, since the President's budget already had been submitted prior to his taking office.

Question: Did the Department make any promises prior to or after the purchase of the boat?

Answer: The Department made no promises regarding the Manu'a boat.

Question: Can you explain the nature of the "Economic Stabilization and Emergency Fund" that was used to pay for this boat?

Answer: The "Economic Stabilization and Emergency Fund" was established by the American Samoa Government in 1982. It was intended to protect American Samoa from the impact of significant decreases in revenues or increases in operating expenses that were not anticipated at the time the budget was prepared.

Question: Have all of the contractual arrangements been fulfilled by the seller of the boat?

Answer: The boat has been operating in American Samoa for almost a year. Therefore, the Department assumes that American Samoa has enforced all terms of the sales contract. The Department was not involved in the transaction.

Question: In the fiscal year 1986 Continuing Resolution, Congress provided 1 million dollars to American Samoa for additional classrooms and to build one gymnasium.

Can you give me a status report on these funds?

Answer: The FY 1986 grant offer to American Samoa, which included the school funds, could not be prepared until after the final Gramm-Rudman-Hollings sequestration order was issued on March 1. As a result of the sequestration, the amount was reduced to $951,000. The Department has had several discussions with the American Samoa Government regarding the proposed use of the funds. American Samoa proposed to use the entire amount for construction of four gymnasiums or to reimburse the "Economic Stabilization and Emergency Fund" for $1.2 million borrowed to construct 38 classrooms and renovate several others. Both proposals were denied. Current plans for expenditure of the funds call for the construction of one gymnasium for $250,000 and classrooms for the remaining $700,000. This is in line with Congressional intent as set forth in the appropriation report language.

Question: In the fiscal year 1986 Continuing Resolution, Congress provided 1 million dollars for hospital equipment and renovation.

Can you give me a brief report on the hospital?

Answer: The basic design work for a phased renovation and equipping of the hospital is complete. The FY 1986 funding, reduced to $928,000 by Gramm-Rudman-Hollings, will finance the first phase of renovation. Bid documents for "phase one" are being prepared.

American Samoa also is planning to enter into a management contract for the hospital. The request for proposals is currently on the street, and the Department has pledged $100,000 in technical assistance in support of such an arrangement.

Question: For the past few years, the Department of the Interior has been working closely with the American Samoa Government in an effort to privatize many of the government's current functions including drydocking and electrical power facilities.

Can you give me a status report on these privatization efforts?

Answer: The drydocking facility was successfully privatized in 1985 through a lease arrangement with Southwest Marine. The Department estimates that it will be at least another year before the American Samoa Power Authority is ready for privatization. The American Samoa Government also has awarded a contract for privatization of garbage collection and is considering an offer by a private enterprise to purchase the government-run Rainmaker Hotel.

Question: Have these efforts been successful?

Answer: The Department believes the privatization efforts have been very successful in terms of ridding the government of responsibility for activities that more properly belong in the private sector. The financial benefits are just beginning to be realized.

Question: If so, is there any way to attribute a dollar figure to these efforts?

Answer: Prior to privatization, the American Samoa Government subsidy to the Marine Railway had been as high as $600,000 annually. With privatization, the American Samoa Government incurred the initial costs of re-employment and training of displaced workers. The Marine Railway lease agreement guarantees the American Samoa Government $50,000 a year plus 2 1/2 percent of profits.

Question: If these efforts have been so successful, why hasn't the U.S. operations grant to American Samoa decreased?

Answer: For the past several years, the request for American Samoa operations has remained constant. In FY 1986, the amount provided actually decreased due to the effects of Gramm-Rudman-Hollings. American Samoa currently is operating under a $3.5 million deficit. Though the Department intends eventually to reduce the annual operations payment, to do so at this time would be premature. It would destroy the incentive in American Samoa to continue the successful privatization initiative and the government efficiency program and would place additional financial pressure on the American Samoa Government. American Samoa remains highly dependent on the revenues generated by the tuna canneries. At present, it does not appear to have the potential for rapid economic growth that some of the other territories are realizing.

Question: In FY'87, the Administration has requested 630 thousand dollars to expand the current 25 acre industrial park by an additional ten acres. Total cost of this project is 1 million dollars and the remaining 470 thousand dollars is designed to be funded by the American Samoa Government from rents received from occupants of the industrial park.

Is the current industrial park operating at a profit?

Answer: Leases at the industrial park are set currently at a level which covers on-going operations and maintenance costs but does not generate a profit.

Question: If not, have the rents been maximized?

Answer: Rents at the park have not been maximized. Rents were established at a cost recovery level to entice outside companies, which have expressed interest in doing business in American Samoa, to locate in the park.

Question: If the rents are maximized and the park is not operating at a profit, would American Samoa be willing to fund the remaining 470 thousand dollars from another source?

Answer: Expansion of the industrial park in excess of the FY 1987 request could be accomplished in phases as funding sources were identified. Also, the Economic Development Administration has expressed an interest in committing FY 1986 funding to supplement the Department's budget request.

Question: If the current park is 70 percent occupied, when do you anticipate it will fill up and thus necessitate an expansion?

Answer: For all intents and purposes, the park is fully occupied. The unleased portion currently is being used by the American Samoa Department of Public Works. Sufficient interest in establishing businesses in American Samoa has been expressed by outside companies to justify expansion of the park now. The Tafuna area is the best location for commercial expansion.

Question: Your justification indicates that there has been a large unexpended balance in the Judiciary for the past several years. This unobligated balance has been used in past years to fund the judiciary function.

Can you explain the origination of the unexpended balance?

Answer: The primary cause was over-budgeting in the early 1980's.

Question: Has it been all used up?

Answer: For the past two years, the request for the High Court has been deliberately under-budgeted to allow the unexpended balanced to be tapped. By the end of 1986, the majority of the funds should be expended.

Question: If so, is the FY'87 funding for the Judiciary essentially the same as the FY'86 funding?

Answer: Yes. The FY 1987 request is based on actual expenditures of the High Court over the past several years.

Commonwealth of the Northern Mariana Islands

Question: Last year, full funding was provided to the Northern Mariana Islands as anticipated under the terms of the new seven-year Financial Assistance Agreement. In doing so, Congress assumed that those funds would be subject to the terms of the Agreement, pending final congressional approval.

The agreement requires that the Government of the Northern Mariana Islands develop a seven-year capital improvements and economic development plan. We are now considering appropriations for the second year of funding, yet the Committee has not received the plan.

Can you give me a status report of the plan?

Answer: A preliminary draft of the plan has been prepared but has not yet been submitted to the Department for approval. Also, through legislation, the Northern Mariana Islands Government established a Commonwealth Development Authority (CDA), the primary purpose of which is to finalize, implement, and administer the plan. The CDA is now staffed which should accelerate progress on the plan.

Question: Will this plan be completed before the end of FY '86?

Answer: Yes, the Northern Mariana Islands Government intends to present the plan to the Department for approval within FY 1986.

Question: What actions has the Department taken to help the CNMI with this plan?

Answer: The Department worked with the Northern Mariana Islands Government to establish the Commonwealth Development Authority (CDA) and is now working with the CDA to finalize the plan. In addition, technical assistance and Covenant funding have been available to the Northern Mariana Islands for this purpose.

Question: The new Agreement provides for Congress to authorize deferral of government operations funds subject to fulfillment of certain performance standards which include decreasing reliance on federal financial assistance for government operations, providing utility services without government subsidy by the end of three years, and ensuring an actuarially sound pension system by the end of seven years.

Will the CNMI be able to meet these performance standards?

Answer: Yes, the Northern Mariana Islands Government has every intention of meeting the negotiated performance standards. Legislative initiatives have already begun to ensure these goals are met.

Question: What will be done to make the pension system actuarially sound?

Answer: The pension system is a complicated and politically sensitive issue. In accordance with the new financial assistance agreement under the Covenant, $500,000 in technical assistance funding is being provided to study the system. To make the system actuarially sound, it is likely that local legislation will be required to change the definition of "vested interest" and the retirement age.

Question: The major thrust of the new seven-year Financial Assistance Agreement is to place a decreasing emphasis in the Northern Mariana Islands on federal subsidies for government operations and a greater emphasis on economic development activities.

While Congress hasn't completed action on the new Financial Assistance Agreement the funding requirements were met in its first year, FY'86.

Can you describe some of the specific efforts to decrease subsidies on government operations and increase emphasis on economic development?

Answer: Legislative efforts of the Northern Mariana Islands Government include reducing the budget of the legislature, establishing the Commonwealth Development Authority, establishing the Public Utility Commission, initiating a Constitutional amendment requiring a balanced budget, and establishing a requirement for employment ceilings in appropriation bills. Also, a privatization program has begun and plans are being developed to increase user fees at the new hospital and to establish a health insurance program throughout the islands.

Question: Do these efforts include increasing utility rates to cover the cost of services?

Answer: Yes, that is a major component of the plan.

Question: If so, what is the status of these efforts?

Answer: Though initial efforts on the part of the Northern Mariana Islands appeared very promising, the Department is concerned over the recent budget request of $85.0 million which actually increases the budget of the legislature and assumes very high local revenues of nearly $50.0 million. On the brighter side, a hiring freeze has been imposed on the Executive Branch.

Question: Several years ago, Congress provided CNMI with funds to build a new hospital. As I understand it the hospital is now nearing completion and should open soon. To aid in the opening of this hospital, 1 million dollars was included in the FY'86 Continuing Resolution for start-up costs.

What is the current schedule for the opening of the hospital?

Answer: Construction of the hospital should be completed in August 1986. Actual opening of the facility will likely occur in October of 1986 after a period of transition from the old facility.

Question: What has the Department done with the 1 million dollars appropriated last year for start-up costs?

Answer: The Northern Mariana Islands Government has not yet tapped the start-up cost funding provided. This money was intended to assist in transition, staffing, and equipment purchases.

Question: Will the hospital be fully staffed when it is opened?

Answer: The staffing requirements identified as critical should be met by the opening. Much assistance and advice has been provided by the Public Health Service as well as the Department.

Question: If not, what are your recommendations to make this hospital operational?

Answer: To ensure that the new hospital is fully staffed and operational, the primary need is adequate dedicated funding. The Northern Mariana Islands Government has identified the interest from the Tinian Land Trust as a funding source, which should provide $2.5 million annually. Also, Covenant operations funds can be used. User fees at the new facility need to be increased to a cost recovery level and billing and collection need to be greatly improved. A health insurance program also would make operation of the facility more viable. The Department is encouraging the use of a private management company at the new facility.

Virgin Islands

Question: In the fiscal year 1986 Continuing Resolution, Congress included a 2 million dollar loan to the Virgin Islands Government for construction of a runway extension at the Alexander Hamilton airport on St. Croix. The loan would cover only part of the costs of the project and was contingent on the Virgin Islands receiving a multi-year grant from the FAA. The Virgin Islands subsequently requested 3.5 million dollars in FY'87 for this runway extension. These funds were not included in the Administration's FY'87 request.

Can you give me a status report on this project and the FAA grant request?

Answer: The Virgin Islands has not yet applied for the Airport Improvement Fund grant. The FAA has been very skeptical about supporting such a request. The predominant belief is that due to the proximity of St. Thomas and future traffic projections, the extension of the runway at St. Croix is unnecessary. The airline industry also has provided very little support for the project.

Question: Bill language was included in the FY'86 Continuing Resolution, requiring the release of funds appropriated in the FY'85 C.R. for the Eastern Carribbean Center.

Has the Department released these funds?

Answer: Yes, the funds were released in full in January 1986.

Question: If so, why did it take over a year? If not, can you explain what the hold up is?

Answer: The required plan for expenditure of the funds was not forwarded to the Department until March 1985. The Department provided an initial drawdown request of $75,000 in June 1985. Subsequent drawdown requests were denied because grant reporting requirements, which are mandated by Federal law and regulation, had not been met. No reports were received until November 1985, at which time the second drawdown was released. In the FY 1986 Continuing Resolution, dated December 19, 1985, Congress directed the Department to release the balance of these funds. The Department complied in January 1986.

Question: For FY'87 the Administration has requested 2.9 million dollars to begin improvements of the water system in the Virgin Islands. Total cost of this system is estimated to be 17 million dollars.

The current potable water in the Virgin Islands is produced by desalination of sea water which makes it considerably more costly than mainland production. Studies done by the Inspector General and the engineering firm CH2M Hill indicate that 50 to 60 percent of the water placed into the system is not billed due primarily to water lost through leakage and faulty metering.

The engineering firm study indicates that 30 to 40 percent is due to leaks with another 10 to 20 percent due to faulty metering.

What is the revenue loss associated with this faulty metering?

Answer: It is estimated that revenue losses due to leakage and faulty metering are $3.0 - 4.0 million annually.

Question: How much would it cost to fix this metering problem?

Answer: The metering problem is being addressed in conjunction with the leakage problem. Replacement of the major pipeline on St. Thomas will correct 70-80 percent of the leaks. Phase I construction is 90 percent complete, for which the Department provided $1.0 million. The $2.9 million request in FY 1987 will continue this project. The project includes replacing faulty meters as the pipeline is replaced. At the request of the Virgin Islands, the Department is reviewing a reprogramming request which could direct an additional $760,000 towards this effort.

Question: Since the construction of the new water system will take at least 8 years, does the Department or the Virgin Islands have any plans to correct the metering in the short run?

Answer: The metering is being corrected as the pipeline is being replaced. The two go hand-in-hand.

Question: The Virgin Islands budgetary situation resembles that of the United States and is grim. But is the Virgin Islands willing to cost share this project?

Answer: Yes, the Virgin Islands has identified this problem as its top priority and is willing to direct whatever funding is available towards its completion. It is anticipated that increased revenues realized as a result of replacement of the pipeline and faulty meters, will be used to make further improvements.

Technical Assistance

Question: You have requested 2 million, 200 thousand dollars for technical assistance in fiscal year 1986, a decrease of 2.7 million dollars. According to your justification, this decrease reflects the continuation of a large number of ongoing multi-year technical assistance projects and the existance of an unobligated balance from prior year budget authority.

In addition, you have requested an additional five FTE's which represents the shifting of personnel resources from the Trust Territory Government to OTIA.

If you are requesting a reduction of funds of over 50 percent and requesting an additional 5 FTE's you must have a very large unobligated balance.

Answer: Most of the additional FTE's do not relate to the technical assistance program. The FTE's are funded from the OTIA "salaries and expenses" account rather than the technical assistance program account.

Question: Can you be more specific on the size of the unobligated balance?

Answer: At the beginning of FY 1986, we carried over an unobligated balance of approximately $1.6 million. The balance has been declining each year since the inception of the program in FY 1982. The balance was created by large appropriations to initiate the program before staff and administrative processes were established to manage the program.

Question: What are these ongoing projects and how much FY'86 funding will be available in FY'87?

Answer: The largest ongoing multi-year projects are the financial management systems. Installation of these systems is complex and involves acquisition and installation of hardware and software, debugging, training and developing operating manuals and procedures. Our carryover balance is declining each year. We do not know what the carryover will be at the end of FY 1986, but it will likely be less than $1 million.

Question: Do you anticipate spending all the technical assistance funds available in FY'86?

Answer: No. Our carryover balance is expected to be less than $1 million. Much of this money will be committed, but will not have gone through a formal obligation process i.e., signed agreements between OTIA and the territorial governments.

Question: Are you telling me that even if you had additional funding, you couldn't spend it effectively?

Answer: No. There are numerous worthwhile projects in the territories that could be funded.

Question: Under the terms of the Compact of Free Association, the FSM and the Marshall Islands will continue to be eligible for technical assistance funds.

Did you include the anticipated technical assistance needs of the FSM and the Marshalls in your FY'87 funding request?

Answer: Yes, they were included in our FY 1987 request.

Will you assure me that the technical assistance program will continue to be administered as in the past and the FSM and Marshalls will get a historically proportionate share of the pie?

Answer: No, we cannot make that assurance. Historically, the FSM and Marshalls received a larger than proportionate share of technical assistance funds because of the major costs involved in the acquisition and installation of financial management systems.

Trust Territory of the Pacific Islands

Question: There are currently nearly 100 separate projects totaling nearly 105 million dollars actively underway in the FSM and the Marshall Islands. You are proposing to phase down the Trust Territory operations from 10 FTE's to 5 FTE's in FY'87 yet only decrease the requested funds from 2.7 million to 2.0 million.

Of the remaining projects, how many do you anticipate having completed by the end of FY'86?

Answer: There are currently seventy ongoing construction projects in the Trust Territory. By the end of FY 1986, we are estimating that twenty-five will be completed. By the end of FY 1987, an additional thirty-three projects should be completed.

Question: Why are you proposing to cut staff in half and only proposing to reduce funds by 25 percent?

Answer: The staff cut reflected in the budget refers only to civil service employees (FTE's). Most positions in the Trust Territory Government are contract employees, hired under unique authority given to the High Commissioner. These employees are not civil service and many are funded through Federal grant programs other than those administered through the Department of the Interior. The actual reduction in Interior-funded employees will be closer to twenty-five percent.

Question: For the second year in a row, the Department has not requested funds for the Operations and Maintenance program. Your justification indicates that the carryover balances will be adequate to achieve program goals well into the post-Compact era.

What are the carryover balances at the end of FY'86 and what do you anticipate they will be at the end of FY'87?

Answer: At the beginning of FY 1986, the unobligated balance was $7.8 million. By the end of FY 1986, this balance should be less than $3 million. By the end of FY 1987, we do not anticipate any unobligated balance. By obligation, we mean that formal agreements have been reached between OTIA and the Micronesian governments as to how the money will be used. The actual expenditure of money will take considerably more time.

Question: Is there a reason these funds have not been used?

Answer: The longest delay has been caused by the governments' development of plans for the use of the money. This is a long and complex process. In addition, OTIA is not accepting elements of the plans that do not fit within program definitions and achieve the desired objectives of the program.

Question: Because of the increased responsibilities at OTIA caused by the Compact, you are shifting five FTE's from the Trust Territory Government to Territorial Administration. I don't disagree with utilizing the Trust Territory Government staff to help with OTIA's increased responsibilities as a result of the Compact.

However, it may be a little premature to take staff away from the Trust Territory Government when the unobligated balance in the operations and maintenance account is so large and there are 100 million dollars worth of projects yet to be finished. Perhaps more importantly, work on the Palau Compact is far from complete.

Is this an actual shift of people from Trust Territory Government to OTIA or are you simply shifting the FTE's?

Answer: It is merely a shift of FTE's. We do not anticipate shifting personnel from the Trust Territory Government to OTIA, although we will retain personnel in the Trust Territory Government until all functions are completed.

Question: If it is a shift of FTE's, will these new people be as experienced as the Trust Territory Government people or is that experience not necessary for these jobs?

Answer: We do not believe that Trust Territory Government experience is necessary for any of the jobs being created. Most of the personnel currently employed in the Trust Territory Government are involved in either the administration of Federal programs or the administration of the capital improvement programs. None of the new positions would be directly involved in these activities.

Question: What is the current level of TT Government staff?

Answer: There are approximately 65 staff in the Trust Territory Government. Only 4 of these (the High Commissioner, the Attorney General, the Chief Justice of the High Court, and an Associate Justice) are Federal employees and count against the FTE ceiling of 10. The remainder are contract employees hired under unique authority given to the Trust Territory Government.

Question: At this staffing level will the current projects, including those in Palau, as well as O and M funds, get the proper attention?

Answer: We believe that, at this staffing level, current projects will receive more than adequate attention.

Question: There has been a great deal of discussion recently on the phase-down of the Trust Territory Government. The terms of the Compact don't require the governments to get the Department's approval to spend Compact funds. The Department's role is supposed to be more of a monitoring or auditing function. Therefore, the functions provided by the Trust Territory Government will be phased-out.

Nonetheless, as I have mentioned, there are still about 100 projects worth over 100 million dollars that were initiated prior to the Compact. These projects still require the Trust Territory government's active role until all projects are at least under construction.

We are essentially a year into the phase-down of the TT Government and I am sure Ms. McCoy had a transition plan to take us through that year. But now, since the Compact has passed and the funds have been requested, we are much closer to phasing out the Trust Territory Government.

What are the Department's plans in this area as far as phasing out the TT Government especially concerning the remaining construction projects?

Answer: We plan to retain contract staff in the Trust Territory Government, who work on the capital improvement program, for at least another year. At that time, we expect that virtually all of the construction projects will be under contract. Once the projects are under contract, our role shifts more from technical (engineering) oversight to financial oversight and OTIA may be able to assume a larger share of the function.

Question: Has the Trust Territory Government submitted an extension of its original phase down of last year?

Answer: Yes, an updated transition plan was prepared in March 1986 and discussions were held on the plan in May 1986.

Question: If so, is it consistent with your recommendations?

Answer: Yes, it is generally consistent with our recommendations.

Question: If so, would you submit that plan to the Committee for review?

Answer: A copy of the plan has been given to the Committee.

Question: Are you looking for Congressional direction in this area?

Answer: No, we believe the Congress gave us sufficient guidance and flexibility in the Compact of Free Association Act (P.L. 99-239) by authorizing continuation of the Trust Territory Government for transition purposes [Section 105(c)].

Question: The Secretary had indicated that OTIA estimated that it would need 4 additional staff positions in FY 86 and 15 in FY 87 to meet its new responsibilities under the Compact.

Are these estimates still accurate?

Answer: No, we now believe those estimates were overstated. Delays in approval of the Palau Compact and the supplemental appropriation make it appear unlikely that any additional FTEs will be needed in FY 1986. In FY 1987, we now believe a maximum of 10 FTEs are required, 6 located in the Freely Associated States (Field Representatives and clerical support) and 4 located in Washington for policy, liaison, budgeting and clerical support.

Question: Will the Department offer advice and assistance to the governments on their economic development plans?

Answer: The Department has already provided some technical assistance for development of the plans. Departmental comments and advice on the plans were passed on to governments along with input from other members of the Interagency Group on Micronesia.

Question: Both the FSM, and the Marshall Islands will receive a great deal of money under the terms of the Compact. There have been a lot of rumors and discussions recently about the specific plans these countries have for this money. The Compact does not require these countries to receive the Department's approval to spend the money but the Department will be providing an auditing or a monitoring function.

What actions have the FSM or the Marshalls taken with respect to the Compact funds?

Answer: The governments have revealed very little about specific plans for the use of the money other than the current account funds will generally be used for government operations; that capital account funds will be used for economic development and construction projects; and that special funds will be used for the purposes identified in the Compact. Under the terms of the fiscal procedures agreements, most of the money will be provided in advance of need, so that these funds can be invested by the governments and additional revenues will be realized.

Questions: Have the Freely Associated States been officially notified that the fiscal procedures agreement negotiated with OMSN has not been submitted or approved by Congress and therefore is not binding?

Answer: The Freely Associated States have been notified and are very disturbed by that fact. They consider these agreements as negotiated in good faith and binding.

Question: At an earlier hearing, Secretary of the Interior Hodel indicated that Japan unofficially estimates its contributions to Micronesia to be about 20 million dollars.

Is this sufficient for you to certify a Japanese contribution of 12 million dollars and trigger the authorization for War Claims payments?

Answer: No, we do not consider this sufficient notification. Even given official estimates, we are concerned that this may not be sufficient legally to trigger the authorization.

Question: In response to a question earlier this year regarding continuing programs, Secretary Hodel indicated that there would be meetings to discuss these continuing programs and arrangements would be worked out to reimburse agencies for their costs.

At that time, I was a bit confused as to where this reimbursement was coming from. The intention of Congress was that programs and services which are to be continued on a non-reimbursable basis would continue to operate as they have prior to the Compact. It is intended that each program office would be notified of their continuation and that they would continue to budget for and receive funds directly from Congress as they have in the past.

Is this your understanding?

Answer: Yes, that is our understanding. The Secretary was alluding only to specific Federal programs and services that will continue under the Compact, and for which appropriations are requested through the Department of the Interior. These include certain services provided by the Coast Guard, the Department of Transportation, the Federal Emergency Management Administration, the National Weather Service and the U.S. Postal Service under Section 221 of the Compact Act. It also includes the continuation of Pell Grants for students currently enrolled in post-secondary institutions under Section 223 of the Act, and services provided by the Foreign Services Institute under Section 122 of the Act.

Question: What can be done to determine how each of these programs will be funded and who is responsible for requesting funds?

Answer: These ambiguities can best be addressed through clarifying legislation. Most of the confusion has occured because of language contained in Public Law 99-178, making Fiscal Year 1986 appropriations for the Departments of Labor, Health and Human Services, and Education; and language contained in Section 105(b)(2) of the Compact Act. The language in Public Law 99-178 precluded any financial assistance to the Freely Associated States using funds from that appropriation; and the language in the Compact Act stated that, "Appropriations made pursuant to the Compact or any other provision of this joint resolution may be made only to the Secretary of the Interior,...."

Question: In the fiscal year 1986 Labor-HHS Appropriations bill, language was included in that Act that essentially cut off funds to the FSM and the Marshall Islands from any program funded through that appropriations bill upon enactment of the Compact.

Unfortunately, the implementation date of the Compact is a later date and has yet to be determined. Therefore, FSM and the Marshall Islands have been unnecessarily restricted from utilizing programs funded through the Labor HHS appropriations bill since the Compact was signed in December of last year.

Can you identify the programs and the amount of funds that the FSM and the Marshalls lost because of this provision?

Answer: It is virtually impossible to make such an identification because of the large number of programs affected and the difference in program authorizations and definitions of program years. As of June 1986, the only program for which we are aware that funds have actually been stopped is the Head Start Program. This program provides approximately $60,000 per month to the Marshall Islands and approximately $100,000 per month to the FSM. Many programs operate on a program year that begins on July 1. The greatest impact will be noticed at that time.

Question: When was your office aware of this provision and what actions did you take to clarify that language?

Answer: We became aware of this provision in February 1986. We took administrative action in March by notifying the governments that we would advance fourth quarter funds to cover any funding hiatus that occured as a result of this language.

Question: Please provide the Committee with copies of the OTIA request to OMB?

Answer: Copies of the OTIA request have been provided to the Committee.

Question: On April 2, 1985, I wrote to Ambassador Fred Zeder regarding the fiscal procedures agreement negotiated with the Federated States of Micronesia. In that letter, I expressed concern that the Agreement would provide for the advance drawdown of the entire year's capital account rather than the usual quarterly drawdown. In addition the agreement appears to relieve the FSM of the obligation to submit annual justifications as provided under the Compact. I suggested at that time that the FSM be notified that this agreement was only a proposal which had not been approved by this Committee.

Do you know if the FSM was ever actually informed of this?

Answer: We are not aware of any direct communication by Ambassador Zeder following receipt of your letter, but we know that the FSM eventually became acutely aware of the Committee's position. We would also like to point out to the Committee that capital funds are usually not provided on a quarterly basis, but rather are provided "as needed" over the life of the project. This often may take several years, depending upon the size of the projects.

Question: Could you update the Committee as to the status of this issue, that is, has this agreement been modified?

Answer: These concerns were repeated to the negotiators (OMSN) when a revised agreement (revised to incorporate changes made in the final Compact Act) was circulated to members of the Interagency Group on Micronesia for comment. After discussion, the consensus of the group was that a change would constitute a major reversal on a negotiated issue and might jeopardize final acceptance of the

Compact. As a result, a new agreement was signed by the negotiators in April 1986 that did not substantively change the payment procedures.

As to the issue of budget justifications, we believe the agreement, while not requiring the submission of annual justifications, constitutes a commitment by the FSM to provide full reporting and information necessary for Congressional consideration of the Compact budget.

(Note: If implemented unchanged, the other territories would request similar treatment).

Answer: At this time, the Marshall Islands have negotiated, but not yet signed, a similar agreement. A final agreement with Palau has not been negotiated.

ADDITIONAL COMMITTEE QUESTIONS

[QUESTIONS SUBMITTED TO THE TERRITORIES]

Virgin Islands

Question: In the fiscal year 1986 Continuing Resolution, Congress included a 2 million dollar loan to the Virgin Islands Government for construction of a runway extension at the Alexander Hamilton Airport on St. Croix. The loan would cover only part of the estimated 10 million dollar cost of the project and is contingent on the Virgin Islands receiving a multi-year grant from the FAA. I now note that the Virgin Islands has requested an additional 3.5 million dollars in FY 87 for this runway extension.

Can you give me a status report on this project and the FAA grant request?

Answer: The Port Authority received a $450,000 grant from the Department of the Interior which was matched locally by $150,000. This $600,000 is being used for plans and specifications, and for monitoring of the projects during construction. Forty percent of this work has been completed to date. However, due to unforseen problems which are being resolved between the Port Authority and the FAA, the balance of the funds have not been fully utilized.

The Virgin Islands has not yet received the $2 million loan from the Department of the Interior. The $2 million loan expected from Interior is for the first phase of the construction of the runway extension which will include part of the site preparation.

Question: By requesting the 3.5 million dollars this year from the Department of Interior, have you given up on the FAA grant?

Answer: The additional $3.5 million which the Virgin Islands has requested in Fiscal Year 1987 is to complete site preparation, installation of utilities and to start the actual paving of the runway.

The Virgin Islands has not requested an FAA grant for this project.

Question: Bill language was included in the FY 86 Continuing Resolution, requiring the release of funds appropriated in the FY 85 C.R. for the Eastern Caribbean Center.

Have you received these funds? If not, can you explain what the hold up is?

Answer: The College of the Virgin Islands did receive a $490,000 grant which was included in the Fiscal Year 1986 Continuing Resolution.

Question: If so, what are your plans for these funds and what have you done so far?

Answer: The information follows:

EASTERN CARIBBEAN CENTER

The following narratives describe the projects to be undertaken by the Eastern Caribbean Center under the $490,000 Technical Assistance Grant and indicate how the federal portion will be applied, subject to changes which could be necessary as the program is implemented. The preceeding budget shows the matching by the College of the Virgin Islands.

ADMINISTRATION

It is anticipated that personnel would be employed, space will be rented, there will be administrative travel, equipment, material and supplies will be acquired and other miscellaneous expenses will be incurred. Additionally there will be the need for a review which is expected to take the form of a conference at the College. The conference will be attended by representatives from the island nations which have been served by the Center. The sum set aside for administration is $125,000.00

HUMAN RESOURCE DEVELOPMENT
TRAINING AND EDUCATION

During FY 1985 and continuing through FY 1986 the Eastern Caribbean Center, as a first phase under this section, will begin to specifically identify through a needs assessment survey the kind of short-term courses and seminars which could most benefit the Eastern Caribbean at this time. Because these course offerings and seminars will be developed and implemented by the Center through the College of the Virgin Islands, it is by necessity that full implementation be executed into fiscal 1986.

The needs survey will determine which offerings to implement and, given the resources, the most efficient method of delivery.

The second phase will involve the development and implementation of those course offerings and seminars which have been identified as needed. Based upon preliminary findings, courses involving business management, business administration, health care, environmental protection and managment, hotel and restaurant management and police science are in high demand.

A. Need for Assistance

If the island nations in the Eastern Caribbean are to continue progress toward economic development within the framework of democratic principles while building a strong private sector, the existing training and educational programs must be expanded and new ones developed.

It has been estimated that more than fifty percent of the people who aspire toward higher education and training leave the Region in search of that goal, and most of those who leave their homes are not likely to return to contribute to the Region's development.

B. Proposed Activities

The course and seminar offerings proposed in the Caribbean will entail four general subject areas in which representatives of the region have expressed interest. Although not yet fully developed, they will be specifically adapted to the short and long term training goals and demands of those nations. Possibilities include the following:

1. Business

Courses and seminars will focus on management and technical skill needs in the private and public sectors, with heightened emphasis on imparting practical business skills and market-oriented management solutions. Other courses will be designed to assist in the development of small businesses, encourage higher productivity within existing businesses, and employment development opportunities.

2. Health

Courses and seminars designed to enhance the acquired skills of nursing professionals will be offered. This offering will utilize professionals from the College of the Virgin Islands and possibly the Virgin Islands Department of Health for implementation.

3. Environmental Studies

In conjunction with the University of the West Indies, a proposed offering in marine biology and coastal management might be given.

4. Teacher Education in such courses as reading, remedial mathematics and science.

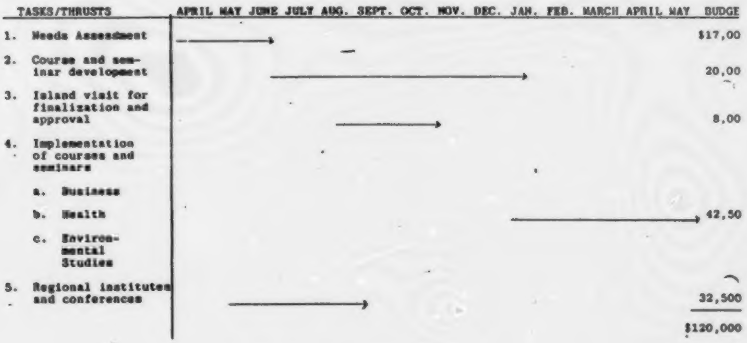
Prior to the full implementation of these proposed offerings, the Center will contact the Organization of Eastern Caribbean States and the University of the West Indies for final approval. Implementation requires at least some 3-5 day stays in each island delivering the courses and seminars.

5. Institutes and Conferences

The Center proposes to sponsor several regional institutes and conferences pertaining to the development and preservation of human resources; for example the problem of alcoholism in the Caribbean, teenage pregnancy, and gerontology.

SYNOPSIS OF IMPLEMENTATION SCHEDULE/BUDGET

CALENDAR OF OBJECTIVES/DATES



TELECOMMUNICATIONS

A. PROJECT ENGINEERING AND DESIGN

During this fiscal year the Eastern Caribbean Center will accomplish a complete engineering design and cost analysis study, including site location surveys, satellite selection and equipment specifications for its proposed telecommunications system (ECCTELCOM). Upon completing the engineering design specifications for ECCTELCOM, the Center will immediately apply for FCC authorization to construct and operate the proposed system. Because this slow application process is a prerequisite to initiating construction and installation, the Center must submit its formal application as soon as possible.

It is anticipated that the Center will seek the guidance of the U. S. Department of Interior in the selection of consultants to undertake the engineering and design phase of this project.

B. DESIGN OF PILOT PROJECT

The Center proposes to conduct a feasibility and design engineering for a telecommunications system to transmit instructional programming to the University of the West Indies extramural campus on St. Kitts.

It must be determined whether CVI's transmission signal can be cost effectively transmitted from St. Thomas and St. Croix to St. Kitts. Another possible route is to send signals to Puerto Rico and directly retransmit to St. Kitts via existing Puerto Rico earth station facilities. The signal can be broadcast via the INTELSTAT satellite or some other authorized satellite carrier to an earth station located in St. Kitts.

A detailed engineering feasibility and cost analysis is required to determine the optimum method to conduct this remote teaching and instruction project.

SYNOPSIS OF IMPLEMENTATION SCHEDULE/BUDGET

CALENDAR OF OBJECT

TASKS/THRUSTS	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	BUDGET
1. Identify contractors through federal Government Assistance	——	→						$ 5,000
2. Open competitive bidding process			——	→				5,000
4. Award Contracts				——	→			
A. ECC Engineering feasibility and design					——	——	→	35,000
B. Engineering and design of pilot project					——	——	→	35,000
								$80,000

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AGRICULTURE AND NATURAL RESOURCES

During the FY 1985 the main thrusts will include problem identification, development of solutions, exchange of existing information and synthesis and implementation of suggested projects. The problem identification phase will consist of reconnaissance and problem diagnosis. The reconnaissance phase will consist of: setting preliminary program objectives; developing a general overview of the existing farming systems and supporting services; conducting reconnaissance field investigation of farm management practices, water and land supply, institutional linkages, inventory of plant and animal pests, marketing and technology transfer systems. The problem diagnosis phase will consist of: designing diagnostic studies; conducting diagnostic field studies; analysing and interpreting the findings; identifying criteria for the selection and ranking of problems according to program objectives. The need for technical assistance and proposed activities are as follows.

A. Need for Assistance

An urgent on-the-farm need exists on certain islands in the Eastern Caribbean for the results of applied agricultural research. This lack of available information may be attributable to various complex factors among which are the possible dearth of expertise and the lack of adequate extension services and personnel which are required to extend this much-needed information to farmers. This situation exists despite the local existing Extension services and the efforts of national and private and public international organization. The type of Extension services proposed will not, in any manner, conflict with any on-going activities but rather augment them. The services and expertise proposed will be carried out by scientists representing various disciplines who are engaged in applied and basic agricultural and natural resources research. Contacts will be made on a personal basis with institutions and individuals, with emphasis on the latter.

The necessary follow through in providing information requested will consist of correspondence to the individual or institution concerned by the visiting scientist following each visit.

B. Proposed Activities

1. Technical Information Exchange Among Agriculture Scientists

Processing - Publication - Dissemination of the Proceedings of the Caribbean Food Crops Society meeting held on St. Croix in October, 1984 will be completed. The attendance list including up-to-date addresses, which is a component of the Proceedings, will be helpful to those concerned in any future exchange of correspondence and information. Existing research based information in the form of factsheets, bulletins and reports will be shared with the other islands.

2. Acquisition and Collation of Technical Information

(a) Technical information from various islands involved will be acquired by various means; i.e., (1) telephone followed by correspondence, (2) correspondence, (3) from any visitors to the Virgin Islands, particularly government employees, scientists, extension specialists.

Other means of acquiring technical information will include collating, documenting and perusing all Caribbean documents on hand at CVI and the acquisition of additional materials from the following sources: public libraries in the Virgin Islands; libraries and institutions of other tropical countries, particularly Central America, Northern South America and Mexico; International Organizations such as FAO and AID; appropriate state universities, particularly Florida and Hawaii; in addition, continuous efforts will be made to obtain any new and additional available information from these and other sources as deemed appropriate.

Other agencies to be contacted include: Caribbean Basin Agricultural Group, Caribbean Development Bank, Organization of Eastern Caribbean States, Intergovernmental Organization of Caribbean States (IOCARIBE), Nitrogen Fixing Tree Association (NFTA), Tropical Studies Institute (Yale), INFORTERRA international data set, universities and research institutions of the Caribbean, University of the West Indies, World Bank.

(b) A perusal of existing government documents, including recent interim and annual reports, scientific publications and any pertinent literature will be made. The compilation of all such information will be documented and used in an annotated bibliography on a continuous basis. Other necessary background information would include the establishment and maintenance of a mailing list to be updated periodically.

(c) Background information other than technical will be acquired in the same manner as described in (a) above and similarly utilized.

(d) Physical facilities including all equipment necessary for communications, the storage and handling of data and information will be provided by CVI; this support will be made on a continuing basis.

3. Protocol Standardization

The protocol procedures for on-site visits will follow those prescribed by such international organizations as AID and FAO. Initial contacts will be made through appropriate channels prior to each visit. Written reports of each visit will be made and recorded.

4. Island Visits

A. Island visits will be made by specialists in various disciplines; these disciplines include: (1) agricultural engineering, (2) animal science, (3) aquaculture, (4) crop production (food/feed crops), (5) farm management, (6) natural resources, (7) pest management.

B. Visits are planned for the following islands in FY 85; (1) Antigua, (2) Anguilla, (3) Dominica, (4) Montserrat, (5) St. Kitts, Nevis, (6) St. Lucia, (7) St. Martin (Maarten), (8) St. Vincent. During these visits contacts will be made with individuals and institutions with the knowledge and approval of appropriate local authorities. Additional islands are proposed for FY 86.

5. Caribbean Youth Conference

Five youth representatives from each island will be invited for a week-long conference on St. Croix. This conference will serve as a forum for exchange of ideas about agriculture, leadership, communication and culture.

6. Home Economics

Feasibility studies of establishing a prototype food processing lab will be conducted to encourage maximizing the use of local foods. The native recipe book and food use guidelines developed by the Virgin Islands Extension Service will be shared with the other islands.

C. Synopsis of Implementation Schedules/Budget

Calendar of objectives/dates --(chart attached)

SYNOPSIS OF IMPLEMENTATION SCHEDULE/BUDGET
CALENDAR OF OBJECTIVES/DATES

TASKS/THRUSTS	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	BUDGET
1. Proceedings: CFCS Dissemination	—	—	—	—	→				$ 20,000
2. Acquisition & collation of technical resources (facilities/support) (background)	—	—	—	→					10,000
3. Quening/Protocol Standardization				—	—	—	—	→	10,000
4. Island visits by subject matter specialists				—	—	—	—	→	65,000
a. Agricultural engineering									
b. Animal science									
c. Aquaculture									
d. Crop production (Food/ Feed crops)									
e. Farm management									
f. Natural resources									
g. Pest management									
5. CARIBBEAN YOUTH CONFERENCE							—	→	15,000
6. HOME ECONOMICS						—	→		5,000
									$125,000

SOCIAL AND ENVIRONMENTAL RESEARCH AND DEVELOPMENT

A. Social Sciences

1. Rationale and Scope

During FY 1985 research would be undertaken at two levels (a) survey or research needs in the social sciences and education and (b) using the expertise gained in current research projects conducted at the Caribbean Research Institute (e.g. Criminal Justice, School Dropout) as a jumping off point for conducting research in the Eastern Caribbean. Following the needs assessment, determinations would be made on the precise cases that would be studied. Both levels will involve a substantial amount of travel and significant coopëration between and among the countries concerned

Criminal justice has been selected as the first research effort. The factors involved in crime, victims, and the criminal justice system are complex and the results far reaching in the areas of employment, family life, and all aspects of development. An initial scoping project will be done to determine the most effective approach and methods. This project will center around the U.S. Virgin Islands and one other island such as St. Martin.

2. Project Initiation

Contact will be established between the project supervisor and the subject agencies. An initial two-months effort will accumulate, collate, and evaluate existing available data. When the evaluation is complete, a plan will be made for obtaining additional data during site visits.

3. Site Visits

When the work plan and contacts are complete, one or more site visits will be made over a period of 2 - 3 months to obtain unpublished records and interview public officials, criminals, and victims. The results of these surveys will be collated and analyzed for completeness.

4. Analysis and Reporting
   After the site visits and data compilation are complete, data from all sources will be combined, collated, and analyzed. From these results a report will be produced giving the conclusions and recommendations for future work.

B. Environmental Sciences

In the case of environmental research and development two programs are proposed.

1. Resource development organizations in the region have remarked that all resource planning in the Eastern Caribbean is hindered by lack of a coherent data base. An environmental project would coordinate a central data accumulation effort with the territory; locate and file unreported data; plan and establish a cooperative data gathering system for further needs and computerize a preliminary data base. A development component of the project would mount and coordinate a regional conference on man, energy and the environment to pinpoint needs and solutions; set up a mechanism for transfer of appropriate technology; conduct a series of training seminars and workshops and produce educational and informational material.

2. Project Initiation
   All available data will be located through published data bases. Governmental and private agencies will be contacted for unpublished works. A central data file with computer accession and microfilm capabilities will be established. This data center will be available to all other researchers. When the existing data has been compiled, collated, and evaluated site visits will be done to seek field data and file reports.

3. Site Visits

Contacts on each island will be used to plan each site visit. On these visits the available files will be located for copying and field surveys of pertinent resource systems will be done where necessary. The site specific data will be added to the existing material.

4. Data Analysis and Reporting

The final data analysis will be reported in the format of a country specific resource atlas. This atlas will be circulated among contributors for review and published as a final report.

C. Water Resources

1. Data and Information Exchange

Water resources concerns are shared throughout the Caribbean. A ready exchange of related data and research findings through the development of a Caribbean Hydrologic Data and Information Exchange Program will be therefore beneficial to all involved. In the initial phase of the effort, an inventory will be made to determine strengths, weaknesses, and needs of water resources managers. Findings will be disseminated through a final report and a small seminar. Development of a more usable system for hydrologic data and information exchange will be the principal thrust.

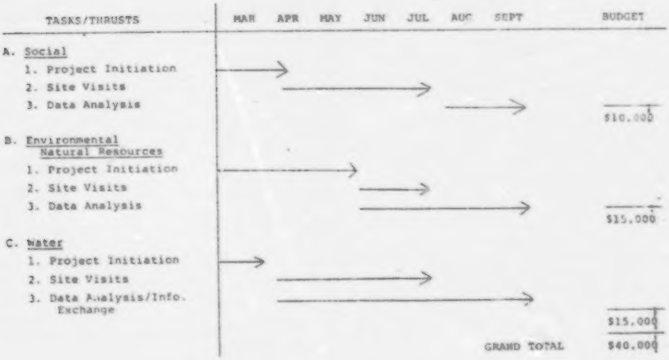
2. Project Initiation

The initial task in developing hydrologic resources will be to establish a data base from published reports. While the existing data is being accumulated contacts will be made with governmental and private research groups for unpublished data and to discuss cooperative data gathering. When the available data is accumulated it will be evaluated for completeness and a plan formulated to gather the necessary adjunct data.

3. Site Visits and Data Analysis

Where necessary the specific sites will be visited to obtain the final data, review existing data accumulation networks, and make cooperative contacts. The final data analysis will be simple data summaries by country. The final report will summarize the existing data and will project the need and format for a Hydrologic Data Exchange Center.

SYNOPSIS OF IMPLEMENTATION SCHEDULE/BUDGET
CALENDAR OF OBJECTIVES/DATES



What is the cost share for these funds?

Answer: The information follows:

EASTERN CARIBBEAN CENTER

BUDGET SUMMARY

	FEDERAL	CVI	TOTAL
PERSONNEL			
A. Salaries			
1. Professional	**$180,000**	**$ 30,000**	**$210,000**
2. Technical/Staff	**32,000**	**5,000**	**37,000**
B. Fringe Benefits	**68,000**	**10,000**	**78,000**
C. Consultant and Contractual Services	**81,000**		**81,000**
SUB-TOTAL	**361,000**	**45,000**	**406,000**

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EASTERN CARIBBEAN CENTER

BUDGET SUMMARY

	FEDERAL	CVI	TOTAL
NON-EXPENDABLE EQUIPMENT			
A. Laboratory Equipment	5,500		5,500
B. Computer Hardware, Software, Fees	18,250		18,250
C. Utility/Service Vehicles/ Implements	11,250		11,250
D. Purchase/Rental Furniture	12,000		12,000
SUB-TOTAL	47,000		47,000
TRAINING/LIBRARY/INFORMATION/ SUPPORT	8,600		8,600
OPERATING EXPENSES/EXPENDABLE SUPPLIES	23,000		23,000
TRAVEL	50,400		50,400
I/D Cost Recovery @ 60.2% salary included benefits		195,000	
TOTALS	$490,000	$240,000	$730,000

This program budget is subject to modification based on possible revisions of priorities resulting from the needs surveys and/or changing circumstances in the region.

Question: For FY 87, the Administration has requested 2.9 million dollars to begin improvements of the water system in the Virgin Islands. Total cost of this system is estimated to be 17 million dollars.

The current potable water in the Virgin Islands is produced by desalination of sea water which makes it considerably more costly than mainland production. Studies done by the Inspector General and the engineering firm, CH2M Hill, indicate that over 50 percent of the water placed into the system is not billed due primarily to water lost through leakage (30 to 40 percent) and faulty metering (10 to 20 percent).

What is the revenue loss associated with this faulty metering?

Answer: The revenue loss associated with the faulty metering and the water leakage of the system has been reduced from $10 million to $7 million annually.

Question: How much would it cost to fix this metering problem?

Answer: The $2.9 million which has been requested for Fiscal Year 1987 would add to an initial $2 million received in the form of grants and loans from EPA, FHA, and HUD to correct the problem exclusively in the town of Charlotte Amalie.

Question: Since the construction of the new water system will take at least 8 years, what are the Virgin Islands plans to correct the metering in the short run?

Answer: The initial $2 million has completed 50 percent of the job and the $2.9 million that we are now requesting will complete this project. The revenue loss which has dropped from $10 million to $7 million annually has been achieved by installation of new meters and an improved collection system and the monitoring of the losses more closely.

Question: The Virgin Islands budgetary situation is about as grim as the United States'. But is the Virgin Islands willing to cost share this project?

Answer: No answer provided.

American Samoa

Question: Last year, the American Samoan Government purchased an inter-island vessel to replace another vessel that sunk. In funding the purchase of the boat, American Samoa provided the United States an opportunity to fund other high priority capital improvement projects.

Since the boat was purchased, American Samoa has been seeking reimbursement funds for the boat. This was an expensive boat and was difficult for you to fund.

Can you explain the nature of the "Economic Stabilization and Emergency Fund" that was used to pay for this boat?

Answer: The "Economic Stabilization and Emergency Fund" was established by territorial law in 1982. The Fund serves as a reserve to provide relief from any "... revenue shortfall due to adverse economic conditions ..." and "... major disasters" resulting from natural manmade causes, "federal grant reductions, or other major events not foreseen during the regular budget process which would affect significantly the economic welfare of the Territory".

Question: Have all of the contractual arrangements been fulfilled by the seller of the boat?

Answer: Contractual arrangements have not been fulfilled by the seller of the boat. The captain of the vessel did not remain in American Samoa for a full year to conduct training as written in the contract. Apparently, the captain departed the island shortly after the contract had been signed for health related reasons. The Port Administration has not received word from the captain since his departure from the island.

Question: Was the Department of Interior consulted prior to the purchase of this vessel?

Answer: The Department of the Interior was notified of the American Samoa Government's need to purchase an inter-island vessel.

Question: Did Interior express an opinion on the purchase of this boat?

Answer: OTIA took a neutral position on the matter.

Question: In the fiscal year 1986 Continuing Resolution, Congress provided 1 million dollars to American Samoa for additional classrooms and to build one gymnasium.

Can you give me a status report on these funds?

Answer: The Public Works Department is processing the project order for the construction of classrooms and gymnasiums. Plans are 30% completed for 20 classrooms. All classrooms will be in 2 to 3-story buildings. The American Samoa Government intends to bid out 4 buildings, one for each of the following public schools-Leone, Tafuna, Nuuuli and Ililili. These should be built by September 1, 1986.

The American Samoa Government is hoping to receive favorable bids for the gymnasiums so as to try and construct two gyms for

$250,000 - the amount set aside for gymnasiums. The gyms are being designed with the intent to bid out Tafuna gym as a basebid with one alternate gym in Manu'a. Tafuna is the largest public high school in American Samoa. Manu'a high school is on Ta'u, an outer lying island of American Samoa.

Question: In the fiscal year 1986 Continuing Resolution, Congress provided 1 million dollars for hospital equipment and renovation.

Can you give me a brief report on the hospital?

Answer: The Public Works Department is processing the project order committing the funds as follows:

Equipment Purchase		
Lab equipment	$108,800	
Anesthesia machine	22,000	
Dispensary equipment	116,600	
Therapeutic equipment	7,700	
ENT chairs (2)	10,000	
Vehicle-Dental	8,000	
Sub Total	$273,100	
Spare parts and Test equipment	$ 27,000	
Freight	1,900	$302,000
Construction and Renovation		
Reverse Osmosis System	$ 21,000	
Design Development Phase	130,000	
P.H. Central Office	37,000	
New Dispensaries (2)	198,000	
General Renovations	143,000	
Carpenter shop	55,000	
Security fence	27,000	
Fitiuta dispensary (renovation)	15,000	$626,000
TOTAL		$928,000

The equipment purchases will be made by the Department of Health through the Procurement Office. $626,000 will be expended by the Department of Public Works through various contracts which will be duly advertised. The design development phase will involve rough planning and specifications to implement phase 1 of the recent Sisters of Mercy Hospital Master Plan. Some work will be concurrent such as the dispensary work, other work will follow with actual design by the Department of Public Works.

Questions: For the past few years, the Department of the Interior has been working closely with the American Samoa government in an effort to privatize many of the government's current functions including drydocking and electrical power facilities.

Can you give me a status report on these privatization efforts? Is it too early to tell if they will be successful? If successful, what is the dollar figure associated with this success?

Answer: With the assistance provided by the Department of the Interior, the American Samoa Government has realized significant benefits since the privatization of the drydock facilities in May 1985.

Under a lease for private management, the shipyard is operating profitably during their first year. This is in direct contrast to the $2.3 million loss that the government suffered during its operation in the forty-two month period immediately preceding privatization. It should be noted that when the facility was privatized, the enterprise also owed the American Samoa Government General Fund approximately 5 million dollars, monies drawn as advances to meet its expenses. With no plan to reimburse the government or to eliminate the need for these advances, the situation could only have worsened.

Personnel costs have been reduced through the hiring of 88% of the government labor force employed at the shipyard. Taking the average salary of the 70 employees initially picked up, the government will save at least $600,000 per year in personnel costs and 23% in fringe benefits. In addition, the private company, through improved productivity, has since increased personnel by 33% hiring mostly from the government ranks. Therefore, the personnel savings to the government by the end of the first year will be greater than anticipated.

No employee hired by the private firm suffered a cut in salary. At least 90% of the employees have received substantial pay increases thus contributing to their buying power as consumers. Further, all employees participate in a profit sharing program.

The private company has in less than one year invested .5 million dollars in leasehold improvements which are of a permanent nature. Further, during this same period, the private company has added over $350,000 worth of new equipment to the operation.

Effective contract management by the government has ensured compliance with requirements that protect the Territory's local labor force. In fact, the private company has exceeded these requirements and consistently maintained a local labor force between 90-92% at all levels of their operations.

Although the electric power facilities have not been privatized as of this date, the effort to reach this goal has been initiated with the Department of Interior's cooperation. During the next twelve months, the American Samoa Government will work toward drafting a solicitation and negotiating a contract for the privatization of the power facilities.

Question: In FY 87, the Administration has requested 630 thousand dollars to expand the current 25 acre industrial park in American Samoa by an additional ten acres. Total cost of this project is 1 million dollars and the remaining 470 thousand dollars is designed to be funded by the American Samoa Government from rents received from occupants of the industrial park.

Is the current industrial park operating at a profit?

Answer: At year end 1985, the Industrial Park Fund made a profit of $39,000. However, there existed a carry-forward deficit in retained earnings of $64,863 thus netting a deficit in retained earnings of $25,863.

Question: If not, have the rents been maximized?

Answer: Currently the Park has net receivables of $20,000.

Question: If the rents are maximized would American Samoa be willing to fund the remaining 470 thousand dollars from another source?

Answer: American Samoa is currently exhausting all avenues of other funding sources including local and/or grant funds to meet the remaining portion of the cost of the expansion.

Question: The current park is 70 percent occupied. When do you anticipate it will fill up and necessitate an expansion?

Answer: The current occupancy level is 90% and the Industrial Park Commission has approved applications for new park occupants in excess of the remaining vacant acreage in anticipation of the planned expansion by FY 87. With the government's concentrated efforts to develop the economy by bringing in joint ventures, it can be assured that the commission will receive further additional requests for land in the Park in the near future.

Question: American Samoa requested 2.6 million dollars in FY 87 to install a "State of the Art" computer system. This system was designed to serve the government in various capacities including budgeting, purchasing, and income taxes.

Can you explain the problems you are having with the current system? What is the financial situation of the American Samoan Government? How will the proposed computer system improve that financial situation?

Answer: The American Samoa Government withdrew its request for 2.6 million dollars. The American Samoa Government is working on a proposal to request, from OTIA, technical assistance funds to replace the current financial management system with WANG/IDC as recommended by Department of the Interior consultant, Mr. Gregory Grosh.

Please refer to the Memorandum Audit Report by the Office of Inspector General entitled "Post-Installation Review of the American Samoa Government's Financial Management System" number S-TG-AMS-10-85 for a complete summary of the problems the American Samoa Government faces with the current system.

The information follows:

MAR 28 1985

MEMORANDUM AUDIT REPORT

The Honorable Richard T. Montoya
Assistant Secretary, Territorial and
International Affairs
U.S. Department of the Interior
Office of the Secretary
Washington, D.C. 20240

The Honorable A. P. Lutali
Governor of American Samoa
Office of the Governor
Pago Pago, American Samoa 96799

Gentlemen:

The Office of Inspector General has performed a post-installation review of the American Samoa Government's (ASG) automated Financial Management Information System (FMIS). The purpose of our review was to assess the system's accuracy, reliability and usefulness including a limited evaluation of internal controls over data input, processing and output.

Our review was made, as applicable, in accordance with the "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions," issued by the Comptroller General of the United States, and accordingly, included such tests and auditing procedures as were considered necessary under the circumstances. Field work was performed at ASG offices located in Utulei, American Samoa.

The scope of our review was limited since ASG personnel had already documented various problems with the FMIS and were in the process of proposing system changes. Our review consisted primarily of interviews and record examinations. We also reviewed an Office of Territorial and International Affairs (OTIA) consultant's report on the proposed ASG system changes.

Our evaluation of internal controls was performed primarily to determine if the controls were adequate for providing the ASG with reasonable assurance that its FMIS was operating in an accurate, reliable and useful manner. Therefore, our evaluation was more limited than would be necessary to express an opinion on the system of internal control taken as a whole.

BACKGROUND

The Information Systems Division (ISD) of the ASG Department of Administrative Services provides data processing services for all agencies of the ASG and is responsible for operating and maintaining computer equipment (hardware) and programs (software). In addition to programs which operate the computer, ASG currently uses computer application programs for payroll, accounts receivable, financial management, and check reconciliation. The Technical Assistance Division of the ASG Treasurer's Office, in conjunction with the ISD was responsible for selecting and implementing the financial management and check reconciliation applications as well as training user department personnel.

The ASG began data processing operations in 1972 with the acquisition and installation of an IBM System 3/Model 10 computer. By 1978, ISD personnel had identified the need to upgrade to a more powerful computer system due to problems with capacity, maintenance and productivity. A request for bid was released in May 1979 and in March 1980 a purchase order was made for an NCR V8455 computer. However, there were numerous problems associated with installation of the new computer and it was not in full operation until 1982.

By February 1982, ISD staff had concluded that the existing financial management system was problem ridden and would require enormous amounts of programmer involvement to function at all. Three possible courses of action were identified: (1) continue to try to improve the current system; (2) install a package system; or, (3) develop a new system tailor-made for ASG requirements.

In February 1984, ASG decided to purchase a package application system from Moore Data Systems of Baton Rouge, Louisiana. This package consists of four separate applications, namely: (1) Financial Management Information System (FMIS); (2) Check Reconciliation; (3) Payroll; and, (4) Personnel. Although the contract cost of these applications was $217,000, the actual cost-to-date of this system is close to $500,000 plus services-in-kind received from an OTIA Automated Data Processing (ADP) specialist. The new applications feature on-line input whereby each transaction is immediately processed through a terminal connected to the computer. Data output is on-line on the terminal screen and may be printed by batches which are available on request the next day.

The FMIS was implemented on October 26, 1984, with accounting transactions concurrent with the beginning of fiscal year 1985. Serious problems were immediately evident and others have continued to appear. Because of the severity of these problems, the check reconciliation system was not brought on-line until September 1985 and implementation of the other two systems (payroll and personnel) has been suspended indefinitely.

At the time of our review, the ASG was considering an internal proposal to upgrade its ADP capabilities. The proposal was reviewed by an OTIA consultant and his report, dated December 31, 1985, discussed the proposal's technical, financial and policy implications. The ASG is currently re-evaluating its ADP capabilities and needs, giving consideration to the the consultant's findings and recommendations.

SUMMARY

The ASG has had considerable problems with its new FMIS. As a result, the system has not been able to adequately provide the ASG with financial information that is accurate, reliable and useful. This has had an adverse effect on ASG's financial operations, and has forced ASG personnel to manually prepare annual financial statements.

Although this is the second time in less than five years that the ASG has spent about $500,000 on ADP systems, it still does not have a system that adequately meets its needs. The ASG is faced with the current problem of improving the FMIS or finding another system to meet its current and long term needs.

We concluded that a management controlled approach to system procurement and implementation was not followed. However, specific causes of the problems are difficult to pinpoint since the ASG did not document actions taken, considerations made, or controls over system procurement and implementation.

Internal control weaknesses were noted in the areas of program changes, separation of duties, security, hardware controls, program documentation, and operating procedures.

FINDINGS AND RECOMMENDATIONS

1. FINANCIAL MANAGEMENT INFORMATION SYSTEM

The ASG is experiencing various problems with its FMIS and the problems have had an adverse effect on the system's accuracy, reliability and usefulness. Problems which have been identified by ASG personnel include: (1) the system has dropped records; (2) the system has not performed as documented; (3) reports have been generated that do not accurately reflect input; and, (4) discrepancies have been noted between screens and printed documents. Additionally, the vendor has not been responsive to problems referred to them by ASG personnel. The problems have been compounded by ASG's remoteness, size, and complexity of operations. The problems, as identified by ASG personnel, are further discussed in the following paragraphs:

Dropped Records. Records have been dropped from the transaction, general ledger, revenue, expense, and encumbrance files. Between January and June 1985, the system dropped over 1,000 purchase order records from the expense and transaction master files. To correct this problem, ASG employees compare the purchase order listing to the distribution file. At the time of our review, one employee had already taken seven weeks to compare these records and it will reportedly take significantly more time to make the corrections.

System Documentation. The FMIS does not work as explained in the system documentation. This has resulted in unreliable statistical data which in turn has caused users to question the system. Users have had to maintain manual systems to provide necessary operating data and financial reporting information. Since the ASG generates approximately 3,000 transactions per day, this problem is serious. Examples of the FMIS failing to work as documented are as follows:

-Checks are periodically printed prior to the due date. While ASG distribution controls have successfully detected these errors, their occurrence increases the possibility of releasing inaccurate checks to vendors.

-Four checks were printed on one occasion which were partial payments of vouchers that had been paid the previous day. Again, good distribution controls prevented the duplicate payments from being issued, but special procedures had to be devised to correct the resulting accounting errors.

-After the closing of fiscal year 1984 accounts, ASG was not able to process payments for funds encumbered during that year and had to implement special procedures to be able to pay the bills.

-There is no program which compares voucher payments to purchase orders or updates the records.

-Payments on purchase orders to multiple accounts do not charge the expenses or reduce the encumbrance amounts for some accounts causing them to be out of balance and requiring special entries to correct them.

-When cancelled, final payments which differ in amount from the original purchase order re-encumber the amount of the check rather than the original purchase order amount, resulting in an incorrect encumbrance balance.

Report Accuracy. According to ASG personnel, there is not a single report that reflects the true financial condition of the ASG. The system produced statistical reports are inaccurate and do not adequately reflect accounting activities that have taken place.

Inaccurate data has created numerous problems. One such problem occurred during the fiscal year 1986 Legislative budget hearings. Using FMIS produced figures, the Legislative Finance Office compiled a report which showed ASG overexpenditures for fiscal year 1985 of over $21 million. Treasury Office personnel, who had reported a possible surplus of one to two million dollars for the same period, attributed the difference to the Legislative Finance Office's using FMIS figures without correcting erroneous information.

Screens and Printed Documents. Discrepancies were noted between screens and printed documents. This is a serious problem which could result in erroneous payments. For example, on manual checks the screen would show one dollar amount but another amount would be printed on the check.

Users are also disenchanted with the limited range of management control provided by the FMIS and its limited potential for fulfilling future ADP needs. Reports which some agencies consider vital cannot be produced while others are not in the format desired by users.

Because needed reports are not produced, manual recordkeeping and financial reporting have increased. For example, the Grants Fiscal Control Section must now manually calculate indirect costs and reimbursements to the General Fund although this was previously done automatically. Payroll also has to be input manually as does revenue. Every month managers have to make extensive corrections due to differences between agency and grant management records.

Reports do not provide for a monthly or quarterly accounting period. Instead, the accounting period is for the fiscal year. This means that expenditures are applied against the month obligated rather than the month paid and revenue figures reflect only year to date rather than monthly information. This has created confusion among financial managers and has made it difficult to keep manual controls or identify when an expenditure clears.

The system further complicates control by combining prior year with current appropriations. Expenditures are not charged to the year appropriated but rather to the current year. Because of this format, financial managers have to look through voluminous monthly reports to determine which expenses have cleared. As of August 1985, the report for Public Works alone was 433 pages long.

The magnitude of FMIS problems and limitations have created a negative feeling which could prevent the successful use of the system even if program problems are resolved. When we asked eight of the system's primary users to evaluate the FMIS, we only had one user respond that the FMIS reports are reliable, accurate and saves clerical time. And, only three of the eight questioned thought the FMIS was an improvement over the old system and would fulfill future ADP needs.

The OTIA consultant, in his December 1985 report, reported that the emergent problem is the current FMIS software which "has never met the needs of the Government of American Samoa and never can meet them." The consultant recommended that the ASG find a replacement for the FMIS after defining the particular needs of all users of the financial management system.

2. SYSTEM PROCUREMENT AND IMPLEMENTATION

With regard to the FMIS procurement and implementation process, adequate consideration was not given, in our opinion, to: (1) ADP needs and the ability of the system to fulfill these needs; (2) contractual provisions; (3) control over implementation; and, (4) funding and personnel.

Inadequate consideration of these areas contributed to the FMIS not meeting ASG's ADP needs and to the lack of ASG internal control over the system.

ADP Needs. In procuring and implementing the FMIS, the ASG did not sufficiently evaluate ADP requirements or user needs and performed only a limited evaluation of alternative approaches. Furthermore, when the FMIS was proposed, evaluation of its technical and operational feasibility was limited. We could find no evidence of data processing policies or long and short range plans for ADP. According to ASG personnel, the ADP steering committee was not actively involved in the FMIS evaluation process.

ASG personnel visited the vendor's facilities but did not investigate the FMIS in an operating environment similar to the ASG. While other governmental operations may be able to work around deficiencies, the ASG is not able to overcome these problems due largely to its volume and limited staff. One of the problems with the FMIS is that it was designed for local governments. Although the same size as many municipalities, the functions assumed by the ASG are more complex and cover the spectrum of government at all levels.

Contractual Provisions. The contract under which the ASG purchased the FMIS did not adequately protect the government's interest. The contract guaranteed that programs would conform to design specifications but the documentation of requirements was vague and did not provide a legally binding definition of the objectives to be met, proposed methods, expected improvements, and needed equipment.

The contract provided for the FMIS to be tested at the vendor's facilities as opposed to being tested on-site. An OTIA ADP specialist informed us that on-site testing should have been performed due to differences in configurations of equipment which can affect the way programs run.

Because of contract limitations, even basic guarantees of operability were not protected. The contract allowed 90 days after installation in which the vendor agreed to correct any malfunction or error. ASG's problems, however, did not appear until after this period and it is questionable why the contract allowed such a short period for limitation of liability.

The contract further states that the vendor did not make any other unwritten representation with respect to the program's operation, suitability, etc. However, according to ASG officials, the vendor's representative made oral promises to adapt the system to meet ASG's needs particularly in the area of accounting for Federal grants. In any future acquisitions, ASG personnel should not rely on oral promises and should protect ASG's interest by getting appropriate representations formally approved in writing.

Control Over Implementation. Documentation supporting the system implementation process such as ASG test plans, procedures, and results could not be located. As a result, there is no documentation of test findings showing valid and invalid conditions or demonstrating system capabilities and deficiencies. The testing process is the last line of defense against implementing an application with major errors. It gives users, internal auditors, designers, and implementers an opportunity to view the system in final form before it becomes operational. Without test documentation it is not possible to determine if the system performed according to functional and detailed performance specifications, including desired controls, and met user needs and objectives.

Although ASG personnel made some attempts to purify the data base during conversion, the magnitude of the task was underestimated resulting in a failure to complete data correction prior to implementation. Implementation problems were so numerous that the OTIA ADP specialist considered recommending that the ASG abandon the system even though it had already spent more than $200,000 by that time.

The effects of this loss of control are evident and in a recent report, the ISD director attributed at least part of the current inability to provide reliable ADP service to, "...the modification; and installation and conversion to new systems in an uncontrolled and uncoordinated environment."

Funding and Training. The fiscal year 1986 ISD budget reflects a lack of ASG commitment to carry through the FMIS implementation process. ISD funding for fiscal year 1986 totals $324,000 which is a 35 percent reduction from the fiscal year 1985 budget of $504,500. Without adequate resources to complete the process, the ASG is further limiting effective use of its application packages.

Based on current funding levels, the ISD director projects that it will not be possible to install the new personnel and payroll systems as there will not be sufficient funding to cover the overtime needed to install the systems or the equipment to handle the systems. Timely modifications to correct or improve problems with existing production systems will be limited due to staff shortages and limitations on long distance phone calls.

In addition to cuts which directly affect the FMIS, the ability to maintain continuous daily operations has been threatened. For example, the fiscal year 1986 budget provides only $10,000 for the maintenance and replacement of parts for all ISD operations including the computer equipment, the air conditioning system, the fire detection and suppression system, and the uninterruptible power supply system. Also, the amount budgeted for supplies is $2,500 less than what was spent on paper alone in fiscal year 1985. This has an adverse effect on ASG's purchase of replacements for worn or damaged tapes and increases the risk of lost data due to an inability to maintain reliable backup.

Insufficient training of financial managers who use the reports has also reduced the effectiveness of the system. Financial managers complain that they do not know what information or reports are available or how to interpret them.

3. INTERNAL CONTROLS

There are internal control weaknesses associated with the ASG's ADP operations. These weaknesses impact adversely on the effectiveness of ASG's financial management and have resulted in inaccurate and unreliable financial reporting. Control problems are attributed primarily to problems with the FMIS program and procedures. Control weaknesses were noted in the areas of program changes, separation of duties, security, hardware controls, program documentation, and operating procedures.

Program Changes. Controls over program changes have not been established. This is an internal control weakness which affects the overall effectiveness of ADP operations.

Programmer assurances that documentation and testing are being done is not sufficient control. Regardless of the magnitude of the modification, controls should be established to prevent unauthorized and potentially inaccurate computer program changes from being incorporated into the live production environment.

Documentation of changes is necessary to provide a complete history and management trail. This is particularly critical considering the frequent turnover of ASG programmers. Controls which would ensure adequate testing of changes are necessary so that no one is able to implement new systems or revise old ones without checking to make sure they function properly and do not adversely affect other systems.

Control over program changes could be increased by instituting procedures such as: (a) establishing a formal change request and authorization form; (b) making sure that modifications are thoroughly documented; (c) establishing a system acceptance and testing procedure; and, (d) ensuring that no other system is affected by modifications.

Separation of Duties. The ASG has not established methods or procedures which provide an adequate separation of duties such as preventing programmers access to both programs and the data base. Sufficient separation of duties is necessary to prevent unauthorized changes and manipulation of computer programs, ensure the integrity of data files, and assist in maintaining the continuity of operations during periods of personnel changeover or reassignments. Ineffective controls could result in the loss of assets as well as a general deterioration of the system.

Security. ASG has not provided adequate physical safeguards over records, data files, and key computer programs. There are no plans or procedures to minimize loss and provide for continuity of operations in the event of disaster nor is there off-site storage of data files which would allow them to be reconstructed in the event of destruction. This is especially serious in light of (1) the vulnerability of the computer center to destruction from fire, hurricane, and theft, and (2) insufficient measures to prevent unauthorized access. Such inadequacies have been reported previously but have not been corrected.

Hardware Controls. Controls offered by computer hardware are not used effectively. The computer log which records unauthorized attempts to gain access, problems, usage, etc., is not regularly reviewed for appropriateness nor does the system automatically shut a terminal down after a predetermined number of unauthorized attempts to use it. Several terminals do not suppress the user's password during the log-on sequence thus compromising the security offered by the password.

Program Documentation. The ASG and the OTIA data processing specialists have evaluated documentation of the FMIS specifications and requirements and rated them as very poor. Also, as discussed earlier, the system does not work as documented. Good documentation is vital to maintaining computer programs, evaluating internal controls, and providing a useable audit trail.

Operating Procedures. The ASG does not have written ADP operating procedures. Automated financial systems undergo constant change due to new demands, changes in personnel and objectives, improvements in processing techniques, and discovery and subsequent correction of system faults. Therefore, adequate documentation of procedures is especially important to the ASG. Procedures can provide a reference base and help ensure continuity of operations.

As an example, operating procedures over data input are needed to reasonably ensure that data is properly authorized and accurately recorded. Without such procedures, data may be added to, lost, or improperly manipulated during processing. Management reports facilitating supervisory review of data and exception reports providing management with indications of intentional or accidental manipulation of data should be provided for.

Recommendations

We recommend that the Assistant Secretary for Territorial and International Affairs:

1. Continue to provide needed technical assistance to the ASG in the area of financial management system procurement and implementation including training.

2. In conjunction with the ASG, establish a time phased action plan, following the principles of the Departmental Manual (376 DM10) section titled "Life Cycle Management of ADP Information Systems," for procuring and implementing an efficient and effective ASG financial management system. The action plan should be monitored and prompt action taken on any problems that may surface during system procurement and implementation.

We recommend that, in future ADP acquisitions, the ASG:

1. Follow a formal, management controlled approach to system procurement and implementation such as the one outlined in the U.S. Department of Interior Manual (376 DM10) section titled "Life Cycle Management of ADP Information Systems." The system process should be implemented by experienced and technically qualified personnel who will be with the project until it is completed. Sufficient time and resources should be allocated to complete the process.

2. Ensure that contracts for ADP systems adequately protect ASG's interest.

3. Develop and implement a formal training plan for department heads and other system users to acquaint them with ADP financial information and reports available to them.

We further recommend that the ASG strengthen internal controls over ADP by:

4. Instituting appropriate control procedures over program changes.

5. Providing for an adequate separation of duties.

6. Providing for adequate security and backup of data and programs.

7. Suppressing password displays on all terminals.

8. Developing and maintaining current and accurate documentation on operating systems.

9. Formalizing ADP operating procedures.

In managing its information system, we recommend that the ASG:

10. Provide sufficient financial resources to staff, operate and maintain the system.

We conducted exit conferences with OTIA officials, on February 28, 1986, and ASG officials, on March 12, 1986. The officials expressed general agreement with the report findings and recommendations. Their comments were incorporated into the report where applicable.

OTIA stated that it was encouraging ASG to conduct a needs assessment study and was assisting in this area by reviewing existing systems in the Pacific area to see if any of them could fit the ASG needs. OTIA added that it would be desirable to have a commonality of systems among the Pacific governments affiliated with the Federal Government

In accordance with the Inspector General Act (P.L. 95-452) and the Departmental Manual (360 DM5.3) please provide a response to this report by June 11, 1986. The response should include information on recommendations implemented or an action plan which identifies the target dates and official responsible for implementing the recommendations. A copy of the ASG response should also be provided to the Assistant Secretary for Territorial and International Affairs, U.S. Department of the Interior.

Sincerely,

Marvin E. Pierce
Marvin E. Pierce
(For the Assistant Inspector General
for Auditing)

Question: I note that the distribution of local revenues shows a broad year to year variance for education. In fiscal year 1985, it was 2.97 million dollars, in FY 86 it was 1.54 million dollars and in FY 87 it is estimated to be 2.90 million dollars.

Can you explain this discrepancy?

Answer: The 1.54 million dollar figure quoted is incorrect. The actual approved amount for local revenues per Public Law 19-27 is $1,895,000. This figure excludes electricity cost of $250,000, telephone cost of $30,000, and 6.5% of the required 11.05% American Samoa Government contribution to the Retirement Fund at a cost of $482,850.

In the FY 86 budget, the American Samoa Government centralized all of its utility costs under one separate account. This was to provide for better control and monitoring of utility consumption. In addition, the American Samoa Government's FY 86 budget reflected only 5% of its contribution to the Retirement Fund. This initiative to reduce the government's contribution from 11.05% to 5% reflected an effort to free resources to meet the budgetary needs of the government. The initiative was not supported by the Retirement Board, thus prompting repayment of 6.5% as required by law.

If these budgetary exclusions are added back to the Department of Education's FY 86 budget, the total allocation for local resources is $2,657,850 representing an increase of $762,850.

GUAM

Question: The Board of Directors of the Guam Power Authority passed a resolution in February of this year which would have transferred 1.8 million dollars from GPA to the General Fund and reduced rates by 10.57 percent.

The proposed use of these funds was unclear but there was speculation that it was going to be used for a pay increase to Government of Guam employees.

Can you give me a status report on this resolution?

Answer: The resolution authorizing the transfer was passed in December 1985. The authorization was rescinded by Board action on February 6, 1986 by the same Board of Directors.

Question: The Department of Interior's FY 87 budget request indicates that the Government of Guam recently took action through the Public Utility Commission to raise water rates to a level that will fully recover all operating costs of the system.

Can you explain these actions?

Answer: The operations for the Public Utility Agency of Guam (PUAG) have been funded from two sources: 1) Revenue derived from the sale of water and sewer services to consumers; and 2) Subsidies from the General Fund which were appropriated by the Legislature.

The Public Utility Commission (PUC) was directed to review the rates for water and sewer charged by PUAG. Upon completion of the cost of service study by Touche Ross, the PUC ordered the PUAG to implement water and sewer rates which would be sufficient to cover all operating expenses, eliminating the need for subsidies from the General Fund for operation expenses at the PUAG.

The new rates do not promote revenues for any capital improvements to the water systems but are enough to cover operational expenses.

The new rates were effective with the March 1986 billing cycle.

The implementation of a full cost recovery rate is needed due to the growing General Fund deficit and its inability to subsidize PUAG operations.

Question: Were any of these funds used for a government employee pay raise?

Answer: No. The additional revenues expected are being used to pay for operational cost increases and for shortfalls in funding by the General Fund.

Question: Is the Government of Guam delinquent in its payments to the Guam Power Authority?

Answer: Yes. Government of Guam line agencies currently have accounts payable to the Guam Power Authority of 6.2 million dollars as of March 30, 1986. This is for billings, interest, and penalties.

Question: Late last year and early this year, there were several press reports indicating that Guam federal employees would receive a pay raise. It was unclear where these funds would come from but some speculated that it would come from the Guam Power Authority or the Port Authority of Guam.

As you know, in the FY 86 Continuing Resolution, 8.6 million dollars was provided to Interior for partial payment of a Guam Power Authority loan from the Federal Financing Bank. In addition, 1.6 million dollars is requested in FY 87 for the next payment. This fulfills part of the U.S.'s commitment relating to the interest rate differential in the refinancing of the Guam Power Authority's loan.

Is there a pay raise in the works for the Government of Guam employees or has that idea been shelved?

Answer: Yes. The legislature recently passed a bill directing the Governor to implement a pay increase for government employees by reclassifying pay raises.

If so, how much is the pay raise and how will it be funded?

Answer: The two sections of the recently passed bill stating the Governor shall implement the reclassification will require additional funding of approximately 14 million dollars beginning October 1, 1986 and 85 million beginning October 1, 1987. This will be the yearly cost of the reclassification. The Bill does not identify the funding source to be used to pay for the reclassification.

Question: Is the pay raise mandated?

Answer: The Bill mandates the Governor to implement the reclassificaiton.

Question: In the FY 86 Continuing Resolution, Congress provided 200 thousand dollars for architecture and engineering designs for a new Guam Mental Health Facility. Since A/E funds usually represent 10 percent of the total cost of a facility, we assumed that you would design a 2 million dollar facility.

In your FY 87 request, however, you have requested 4.2 million dollars for this facility.

Are the A/E plans completed? If so, what is the projected cost of the facility? If not, why are you requesting funds to build the facility if plans are not completed?

Answer: No, the RFP for A/E design of the facility was sent out in March with the selection of the firm to be made by July 1, 1986. We anticipate the design to be completed by October 1986 at the latest. Actual construction can then begin by December 1986. Given this realistic timetable we would require funding for the construction during the upcoming fiscal year.

Question: If you are planning a 4.2 million dollar structure and Congress only provides you with 2 million dollars, how will Guam fund the difference?

Answer: Although it may be typical in the U.S. mainland for A/E design to cost 10% of construction costs, given the costs on Guam, A/E designs have cost between 5-7% of the total construction cost.

Question: Earlier this year, there was a confrontation between prisoners and prison officials at the Guam Penitentiary. One of the reasons that aided the prisoners in this confrontation was the crowded conditions at the prison.

To ease this overcrowding, Congress added 1.278 million dollars in FY 86 for a 48 bed dormitory at this prison. It was expected that Guam match this dormitory with another 48 bed dormitory funded through local revenues.

Can you explain the motives of the prisoners surrounding this confrontation?

Answer: The confrontation was primarily brought about by the excessive overcrowding and the resulting conditions.

Question: How much damage was done?

Answer: Damage to the building and contents amounted to approximately $425,000.

Question: What is the capacity and current population of the prison?

Answer: The current capacity of the prison is 120 inmates. The current population is 186 inmates.

Question: How far along are the plans for a new dormitory?

Answer: The Department of Corrections currently has the complete set of A/E plans from the dormitory most recently constructed. Only minor modifications need to be made to these plans. These modifications could be completed within a relatively short period of time.

Republic of Palau

Question: The Geological Survey recently released preliminary studies which identified a potentially valuable gold deposit on the largest island of the Republic of Palau. Speculation surrounding this study indicates that the value of the gold may total 1 billion dollars. The cost to mine this gold is unclear but may be more expensive than the the gold is worth.

Does the Republic of Palau have any additional studies planned?

Answer: To date, only the most preliminary studies have been completed by the United States Geological Survey (U.S.G.S). Further, more detailed studies, including extensive borings are needed to quantify the variables still outstanding. The Government of Palau has no additional studies of its own planned at this time.

Question: How large of an area is the discovery on and who owns the land?

Answer: It is quite correct that speculation surrounds the amount, quality and viability of commercial gold mining in Palau. Two sites of indeterminate size have been viewed as having commercial potential. The biggest lack of technical information, is the question of land ownership. No determination as to land ownership has been made, except that at least to one site in Airai, the ownership of the land is most probably held by a clan and not by any governmental body or individual. The likelihood of any substantial and favorable impact from gold mining in Palau, in the near term, is too premature to determine at this time.

Question: In the fiscal year 1986 Continuing Resolution, Congress provided Palau with 5 million dollars as the first phase of a new hospital. Congress anticipated that the total cost of the hospital would be 10 million dollars and the remaining funds would come in a subsequent appropriations bill.

Can you give me a status report on the hospital plans?

Answer: A & E is complete. The government is ready to bid out Phase I within the available funding of $4.7 million before the end of the fiscal year.

Question: What will be the total cost of the hospital?

Answer: Total cost of the replacement facility is currently estimated at approximately $15 million based on an October 1, 1986 start-up date.

Question: If it is above 10 million dollars, how will Palau fund the project?

Answer: Assuming that $10 million can complete the hospital building, leaving no money to buy new equipment, the government proposes the following:

(1) transfer all useable equipment from the existing hospital to the new hospital; or

(2) request the Government of Japan to donate the necessary equipment (as they have done in the past) for the new hospital; or

(3) look for other sources of funds to purchase new equipment.

Question: In the fiscal 1986 Continuing Resolution, Congress provided 1 million dollars to the Republic of Palau for the purchase of a temporary generator to be used while transmission lines on a new facility are hooked up.

In building the new 16 megawatt powerplant, Palau incurred a debt of 32.4 million dollars from a group of foreign investors. The plant was designed to provide Palau with a positive cash flow but since transmission lines were not installed, Palau defaulted on the loan.

Have the necessary transmission lines been installed?

Answer: Installation of transmission lines for the new power plant is in progress and is expected to be completed by August of this year.

Question: If so, who paid for the installation?

Answer: A grant-in-aid of $3.1 million by the Government of Japan is paying the cost of transmission lines installation.

Question: Is the powerplant currently operating with a positive cash flow?

Answer: The new power plant should be operational by the end of this year. The government expects to realize positive cash flow from the new power plant by the second quarter of Fiscal Year 1987.

Question: What is the status of Palau's debt? Has a new repayment plan been established?

Answer: There is a pending lawsuit filed by the banks against the government on the new power plant loan. The government is currently negotiating with several financing institutions for refinancing the debts and the result of these negotiations are good. We feel that once the power plant is operational and generating revenues, we will be able to meet installment payments on the long-term debt.

Republic of the Marshall Islands

Question: In the fiscal year 1986 Labor-HHS Appropriations Bill, language was included in that Act that essentially cut off funds to the FSM and the Marshall Islands from any program funded through that appropriations bill.

As you know, under the terms of the Compact funding begins retrospectively to October 1, 1985. Since the Compact passed in late December, this means that any programs for the FSM and the Marshall Islands funded through the Labor appropriations bill were restricted on that date.

Can you identify the programs and the amount of funds the Republic of the Marshall Islands have lost because of this provision?

Answer: In recent months, the Government of the Republic of the Marshall Islands became aware of the adverse impact of Section 514 of P.L. 99-178 as federal program managers in the Marshall Islands were informed by their parent organizations that some of the funding approved for the 1986 project year would not be forwarded to the Secretary of Finance. Once P.L. 99-178 had been identified as the cause of the premature cut-off of funding, the Office of the Chief Secretary and the Secretary of Finance attempted to ascertain the extent of the problem by surveying federal program managers in the Marshall Islands. To date, officials in the Marshall Islands have learned that funding for four federal grant programs is being withheld by the United States Government. The affected programs are listed here, together with the termination date for the most recent project period and the funding requirement for the project to carry on programs and services at former levels until October 1, the beginning of fiscal year 1987.

PROGRAM	TERMINATION DATE	FUNDING LOST
Headstart	March 31, 1986	$ 382,350.00
Area Agency on Aging	March 31, 1986	228,272.00
Marshalls Community Action Agency	March 31, 1986	41,224.00
Job Training Partnership Act	June 30, 1986	103,338.50
TOTAL LOSS		$ 755,184.50

The Government of the Marshall Islands has not been informed that funding will be withheld for other federal grant programs, although, as a result of P.L. 99-178, it is conceivable that allocations may stop for the primary health care programs funded by the Public Health Service, that pending applications for federal grant projects will not be entertained by the Public Health Service and the Department of Education, and that program funding originally scheduled for projects in the Marshall Islands will be re-allocated to projects operating in the states and territories.

To remedy the adverse impact of P.L. 99-178 on the freely associated states, we recommend that the following language be inserted in the fiscal year 1986 supplemental appropriation: "Amounts appropriated by this Act for federal financial assistance to the Trust Territory of the Pacific Islands shall be available until alternative funding is available under the terms of the Compact of Free Association Act of 1985 (P.L. 99-239). Upon full implementation of the Compact of Free Association pursuant to the Compact of Free Association Act of 1985, amounts appropriated by this Act for federal financial assistance to the Trust Territory of the Pacific Islands shall be available only to the Republic of Palau, in amounts that such Republic would have received had the Compact not been implemented, except that agencies receiving funds under this Act shall continue those programs in the Marshall Islands and the Federated States of Micronesia which are identified for continuation under the terms of the Compact of Free Association Act of 1985."

Question: According to the terms of the Compact, the Republic of the Marshall Islands will receive about 75 million dollars for economic development over the fifteen years.

What are the Marshall Islands plans with respect to these funds?

Answer: The Government's plan with respect to these funds is contained in its First Five Year Development Plan, 1985-1989. The plan was adopted by the Nitijela and has been formally transmitted to the United States Government. The Micronesia Interagency Working Group has reviewed tht plan on behalf of the United States Government and has made known its comments to the Government of the Marshall Islands.

Projects in the Plan are grouped into the following sectors: Economic Sector, Social Sector, Infrastructure Sector, and Government Sector. Appendix 1 of this response lists all of the projects in each of these sectors which have been approved for inclusion in the Plan.

Appendix 1 follows:

IDENTIFIED PROJECTS AND FUNDING SOURCES, 1985-89
(x 1,000$)

A. ECONOMIC SECTOR

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
Agriculture							
Coconut Aerial Survey	100	-	-	-	-	100	Compact Capital
Coconut Tree Replantation	100	100	100	100	100	500	Compact Capital
Copra Warehouse	50	50	50	50	50	250	Compact Capital
Coconut Shell Charcoal	20	20	20	20	20	100	Compact Capital
Coconut Coir Research	20	20	20	20	20	100	Compact Capital
Hybrid Coconut Import	25	25	25	25	25	125	Compact Capital
Community Farms	30	30	30	30	30	150	Compact Capital
Farmers Market Expansion	20	20	20	20	20	100	Compact Capital
Feed Mill	100	50	50	50	50	300	Compact Capital
Expansion of Piggery	30	30	30	30	30	150	Compact Capital
Hatchery	20	20	20	20	20	100	Compact Capital
Goat Project	10	10	10	10	10	50	Compact Capital
Kwajalein Atoll Outer Island Development	-	-	25	100	100	225	KADA
Sub-Total Agriculture	525	375	400	475	475	2,250	
Forestry							
Ebeye Windbreak Trees	10	10	10	10	10	50	Compact Capital
Fuel Wood Research	4	4	4	4	4	20	Compact Capital
Sub-Total Forestry	14	14	14	14	14	70	
Sub-Total Agriculture and Forestry	539	389	414	489	489	2,320	

Project	1985	1986	1987	1988	1989	Total	Funding Source
Fisheries							
Outer Island Fisheries Development Project	100	3,895	3,955	4,375	4,295	16,620	Compact Capital
Mariculture Laboratory	12	300	255	-	-	567	Compact Capital
Training Program	50	50	25	25	25	175	Compact Capital
Reactivation of Old Co-op	64	-	-	-	-	64	Compact Capital
Foreign Fishing Base	50	-	-	-	-	50	Compact Capital
Outer Island Rearing Ponds	-	50	50	50	50	200	Compact Capital
Surveillance/Monitoring	25	2,825	-	940	-	3,790	Tied Compact; Section 216(a)(1),(b))
Resource Assesment	725	-	-	-	-	725	Compact Capital
Deepening Channel	25	30	-	-	-	55	Compact Capital
Small Boat Basin	30	230	150	-	-	410	Compact Capital
Resource Development Vessel	635	-	-	-	-	635	Compact Capital
Ebeye Development Projects	25	383	255	-	-	663	Compact Capital
Project Operations Center	25	410	-	-	-	435	Compact Capital
Sub-Total Fisheries	1,766	8,173	4,690	5,390	4,370	24,389	
Manufacturing							
Tobolar Expansion Project	850	850	-	-	-	1,700	Compact Capital
Sub-Total Manufacturing	850	850	-	-	-	1,700	
Tourism							
Tourism Office and Tourism Information Centers	25	-	-	-	-	25	Compact Capital
Tourism Brochure	20	5	5	5	10	45	Compact Capital
Cultural Center	15	30	-	-	-	45	Compact Capital

Project	1985	1986	1987	1988	1989	Total	Funding Source
MIDA Loans for Outer Island Resort Construction and Tour Packages	30	30	30	30	30	150	Compact Capital
Rental Center	18	1	1	1	1	22	Compact Capital
Ferries	-	22	-	-	-	22	Compact Capital
Tourism Office Training	10	10	-	-	-	20	Compact Capital
Majuro Clean-up	8	4	4	4	4	24	Compact Capital
Sub-Total Tourism	126	102	40	40	45	353	
TOTAL ECONOMIC SECTOR	3,281	9,514	5,144	5,919	4,904	28,762	

B. SOCIAL SECTOR

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
Education							
Elementary School Construction/Renovation	1,750	500	500	250	250	3,250	Compact Capital
Northern Island High School	788	259	150	-	-	1,197	Compact Capital
Higher Education Facility	400	145	75	70	80	770	Compact Capital
Central Office Renovation	25	-	-	-	-	25	Compact Capital
Inspection/Maintenance	10	10	20	20	20	80	Compact Capital; Tied Compact I (Section 221(b))
MIHS Boys' Dormitory	325	-	-	-	-	325	Compact Capital
JHS Girls' Dormitory	-	375	140	190	95	800	Compact Capital
DES/RES Food Centers	230	-	-	-	-	230.	Compact Capital
JHS Staff Housing	60	-	-	-	-	60	Compact Capital
Education Warehouse	-	300	-	-	-	300	Compact Capital
MIHS Classrooms	44	41	-	400	650	1,135	Compact Capital
JHS Office/Library	-	72	28	-	-	100	Compact Capital

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
Kwajalein/Western High School	-	860	3,500	1,800	1,809	7,969	KADA/Ministry of of Education
JHS Classroom Renovation and Construction	50	-	-	181	19	250	Compact Capital
JHS Gymnasium	-	-	-	-	500	500	Compact Capital
JHS Cafeteria Renovation	-	50	-	-	-	50	Compact Capital
MIHS Staff Housing	-	-	-	400	-	400	Compact Capital
Ebeye Staff Housing	-	-	-	616	-	616	KADA/Ministry of Education
Ebeye Educational Radio Station	-	-	-	560	-	560	KADA
Kwajalein Atoll Outer Island Elementary School	-	80	130	100	234	544	KADA
Elementary Schools Ebeye and Gugeegu	668	2,500	2,620	794	-	6,582	KADA
MIHS Cafetorium[2]	1,600	-	-	-	-	1,600	CIP
Federal Programs	3,800	2,200	2,200	-	-	8,200	Federal Grants
	-	-	-	2,200	2,200	4,400	Tied Compact (Section 221(b))
•	3,800	2,200	2,200	2,200	2,200	12,600	
Scholarships	797.4	797.4	797.4	797.4	797.4	3,987	Tied Compact (Section 216(a)(3))
Sub-Total Education	10,547.4	8,189.4	10,160.4	8,378.4	6,654.4	43,950	

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[1] Article I, 3(b) of Chapter VI pursuant to Section 221(b) makes monies available for maintenance of physical plans.

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
Health Services							
Maternal and Child	98.1	98.1	98.1	-	-	294.3	Federal Grants
Health Care Project	-	-	-	98.1	98..1	490.2	Tied Compact
	98.1	98.1	98.1	98.1	98..1	490.4	
Family Planning Project	34	34	34	-	-	101.9	Federal Grants
	-	-	-	34	34	67.9	Tied Compact
	81.5	73	-	-	-	154.5	[illegible]
	115.5	107	34	34	34	324.3	
Alcohol, Drug and Mental	20	20	20	-	-	60	Federal Grants
Health Project	-	-	-	20	20	40	Tied Compact
	20	20	20	20	20	100	
Continuing Education	24.1	24.1	24.1	-	-	72.4	Federal Grants
Project	-	-	-	24.1	24..1	48.3	Tied Compact
	24.1	24.1	24.1	24.1	24..1	120.7	
Sexually Transmitted	11.1	11.1	11.1	-	-	33.4	Federal Grants
Disease Control Project	-	-	-	11.1	11.1	22.3	Tied Compact
	11.1	11.1	11.1	11.1	11.1	55.6	
Health Planning Agency Project	37.8	30	30	-	-	97.8	Federal Grants
	-	-	-	30	30	600	Tied Compact
	37.8	30	30	30	30	157.8	
Vocational Rehabilitaion	67.5	67.5	67.5	-	-	202.5	Federal Grants
Services Project	22.5	22.5	22.5	90	90	247.5	Tied Compact
	90	90	90	90	90	450	
Crippled Children	48.3	48.3	48.3	-	-	144.9	Federal Grants
Services Project	-	-	-	48.3	48.3	96.6	Tied Compact
	48.3	48.3	48.3	48.3	48.3	241.6	
New Dispensary System	60	-	-	-	-	60	Federal Grants
	-	60	60	60	60	240	Tied Compact
	60	60	60	60	60	300	

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
Preventive Health	30	30	30	-	-	90	Federal Grants
Services Project	-	-	-	30	30	60	Tied Compact
	30	30	30	30	30	150	
Health Education	15	15	15	20	20	85	Tied Compact
Environmental Protection	54.6	54.6	54.6	-	-	163.9	Federal Grants
Project	-	-	-	54.6	54.6	109.3	Tied Compact
	54.6	54.6	54.6	54.6	54.6	273.1	
Ebeye Hospital	-	-	-	700	5,400	6,100	KADA
Medical Staff Housing Ebeye	-	-	273	225	-	498	KADA
Kwajalein Atoll Outer Island Dispensaries	-	182	65	30	53	330	KADA
Outer Island Dispensaries	1,500	-	-	-	-	1,500	.CIP
Public Health Services Activities	-	-	-	100	100	200	Federal Grants
Sub-Total Health Services	2,104.6	770.3	853.3	1,655.3	6,073.3	11,456.6	

1

Section 221(b) and the Federal Programs and Services Agreement (Article II) as well as Section 216(a)(2) provide for such Tied Compact funds for all projects where Tied Compact has been identified as (one of) the funding source(s).

2

It is assumed that Federal Grants will continue for the period 1985-87; thereafter only $100,000 per year will be provided through Federal sources, which will be used for Public Health service activities, in particular the Maternal and Child Care Project.

Program/Project	1985	1986	1987	1988	1989	Total 1985-89	Funding Source
Social Services							
A. Community Development Programs	506.7	343.9	285	285	285	1,725.6	
a. Community Educational Training Programs	25.7	28.9	-	-	-	54.6	UNDP
	20	30	-	-	-	50	Federal Grants
	-	-	50	50	50	150	1 Tied Compact
	45.7	58.9	50	50	50	254.6	
b. Community Grants Programs	256	120	-	-	-	376	Federal Grants
	150	150	200	200	200	900	Tied Compact
	406	270	200	200	200	1,276	
c. Youth Development Programs	55	35	35	35	35	195	Tied Compact
B. Food Services Programs	4,786.6	4,910	5,039.5	5,175.8	5,319.3	25,232.2	
a. School Hot Lunch Program	2,315.6	2,431.4	2,553	-	-	7,300	Federal Grants
	-	-	-	2,680.6	2,814.6	5,495.2	Tied Compact
	2,315.6	2,431.4	2,553	2,680.6	2,814.6	12,795.2	
b. Special Food Assistance Program	2,471	2,478.6	2,486.5	-	-	7,431.1	Federal Grants
	-	-	-	2,495.2	2,504.7	4,999.9	Tied Compact
	2,471	2,478.6	2,486.5	2,495.2	2,504.7	12,436.0	
C. Aging Services and Develop- 2 ment Programs	414.8	414.8	418.4	429.1	434.1	2,111.2	
a. Nutrition Program	272	272	275	-	-	819	Federal Grants
				275	280	555	Tied Compact
	272	272	275	275	280	1,374	
b. Health Care Services Program	100.4	100.4	100.4	-	-	301.2	Federal Grants
	-	-	-	111.1	111.1	222.2	Tied Compact
	100.4	100.4	100.4	111.1	111.1	523.4	

Projects	1985	1986	1987	1988	1989	Total Cost	Funding Source
D. Housing Programs	800	750	650	200	200	2,600	
a. MIHA Housing	200	200	200	200	200	1,000	Tied Compact
b. CDBG/RRCC Housing	150	100	-	-	-	250	Federal Grants
c. FmHA	450	450	450	-	-	1,350	Federal Grants
E. National Sports and Recreational Programs	37.3	38	30	28	55	188.3	
a.Sporting Events	10	20	10	10	35	85	Tied Compact
b.Special Events/ Celebrations	5	3	5	3	5	21	Tied Compact
c.Capital Improvement Projects	7.3 15	- 15	- 15	- 15	- 15	7.3 75	Federal Grants Tied Compact
	22.3	15	15	15	15	82.3	
Kwajalein Atoll Housing	-	-	-	2,900	5,900	8,800	KADA
Sanitary Land Fill	-	500	100	100	100	800	KADA
Ebeye Community Center/Shelter	-	-	-	295	2,052.6	2,347.6	KADA
Ebeye Playgrounds, Parks	370	100	300	500	-	1,270	KADA
Sub-Total Social Services	6,915.4	7,076.7	6,822.9	9,912.9	14,346	45,073.9	

[1] Section 221(b) provides such Tied Compact funds. However, the financing of all programs and projects through Section 221(b) funds is not at all assured, for social sector/programs (projects have to compete with health services and education programs (projects) for the same (limited) funds available. This competition will become particularly severe after 1987, when federal grants are very likely to decrease sharply.

[2] For the Food Services Programs and the Aging Services Programs administrative cost are funded through Federal Grants (until 1987). For the Aging Services Programs, these costs are included in the overall cost, and a breakdown by program is not available. Administrative costs of all other programs are funded by the Ministry's recurrent expenditures.

Project	1985	1986	1987	1988	1989	Total Cost	Funding Sources
Culture Affairs							
Office Construction	-	78	-	-	-	78	Compact Capital
Historic Preservation	-	6	6	6	6	24	Compact Capital
Archives	-	3	3	3	3	12	Compact Capital
Documentation Contract	-	4	4	4	4	16	Compact Capital
Language Commission	-	3	3	3	3	12	Compact Capital
Building Maintenance	-	2	2	2	2	8	Compact Capital
Community Center	32	-	-	-	-	32	Federal (HUD) Grants
Historic Preservation Site Identification	6	-	-	-	-	6	Federal Grants
Resource Protection	12	-	-	-	-	12	Federal Grants
Office Support	6	-	-	-	-	6	Federal Grants
deBrum Photographs	12	-	-	-	-	12	Federal Grants
Sub-total Cultural Affairs	68	96	18	18	18	218	
TOTAL SOCIAL SECTOR	19,635.4	16,132.4	17,854.6	19,964.6	27,091.7	100,678.3	.

C. INFRASTRUCTURE SECTOR

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
Transportation							
-Land Transportation							
Improve Majuro Atoll Roads	-	-	40	40	61	141	Compact Capital
Resealing Majuro Atoll Road	15	10	10	10	10	55	Compact Capital
Curbs and Gutters, Majuro	-	-	200	200	100	500	Compact Capital
Ebeye Road	-	300	-	-	-	300	CIP
Project	-	-	1,516	1,000	400	3,716	KADA/Ministry of Public Works
	-	300	1,516	1,000	400	4,016	
Improve Drainage System	-	-	400	400	200	1,000	Compact Capital
Traffic Survey	-	65	30	-	-	95	Compact Capital
Road Safety Devices	20	20	10	-	-	50	Compact Capital
Driver Education	-	25	30	30	40	125	Compact Capital
Vehicle Safety	20	90	90	-	-	200	Compact Capital
Street Lights Check	250	100	-	-	-	350	Compact Capital
Kwajalein Atoll Causeway	-	5,000	5,000	5,000	-	15,000	KADA
Road Dust Control	125	90	90	90	105	500	KADA
Curb, Gutters, Walks, Ebeye	-	-	472	250	500	1,222	KADA
Sub-Total Land Transportation	430	5,700	7,888	7,020	1,416	23,254	

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
-Sea Transportation							
Landing Crafts	400	400	400	2,250	2,250	5,700	Compact Capital
Load Centers	-	300	300	300	600	1,500	Compact Capital
Lagoon Boats	-	1,032	1,032	1,032	2,064	5,160	Compact Capital
Majuro Old Dock	1,000	-	-	-	-	1,100	Compact Capital
NAV-AIDS and Channel Marking	275	275	275	-	-	825	Compact Capital
Majuro Commercial Dock	500	500	-	-	-	1,000	Compact Capital
Majuro Port CFS	1,500	-	-	-	-	1,500	Compact Capital
Ebeye Dock Repair	500	-	-	-	-	500	KADA/Ministry of Transportation and Communication
Site Feasibility Study	60	-	-	-	-	60	Compact Capital
Patrol Boats	2,500	-	-	2,500	-	5,000	Tied Compact (Section 216(a)(1) and (b))
Maritime Scholarship	100	100	100	100	100	500	Tied Compact (Section 216(a)(3))
Transportation and Communications Center	500	-	-	-	-	500	Compact Capital
MIMCO	500	-	-	-	-	500	Compact Capital
Ebeye Warehouse	1,200	-	-	-	-	1,200	CIP
Jaluit Dock	-	500	500	-	-	1,000	CIP
Gugeegu Marine Railway	-	-	-	230	1,550	1,780	KADA
Kwajalein Atoll D.I. Docks	-	150	55	-	-	205	KADA
Gugeegu Dock Repair	-	-	-	464	-	464	KADA
Debt Service MIDA Dock	11	398	642	-	-	1,051	Balance Recurrent Budget; Compact Capital
Sub-Total Sea Transportation	9,126	3,655	3,304	6,076	6,564	29,525	

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
-Air Transportation							
Domestic							
Flight School	60	60	60	60	80	320	Compact Capital
Outer Islands Safety Equipment	200	200	100	100	100	700	Compact Capital
Terminals	125	125	75	-	-	325	Compact Capital
O. I. Air-strips (3)	100	40	-	-	-	140	Compact Capital
AMI Financial Viability	500	-	-	-	-	500	Compact Capital
Ebeye Airport	-	-	1,000	6,000	4,000	11,000	KADA
International							
Approach Aids	340	250	250	-	-	840	Compact Capital
Safety Equipment	250	250	-	-	-	500	Compact Capital
Regulatory							
Air Surveillance Equipment	100	100	100	100	100	500	Compact Capital
Debt Service							
Nomad	322	634	-	-	-	956	Balance Recurrent Budget Compact Capital
BAC 748	4,156	3,594	2,648	1,746	1,627	13,371	Balance Recurrent Budget; Compact Capital
Sub-Total Air Transportation	6,153	5,253	4,233	8,006	6,707	30,352	
Sub-Total	15,709	14,608	15,425	22,702	14,687	83,131	

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Project	1985	1986	1987	1988	1989	Total Cost	Funding Sources
Telecommunications							
A. Majuro Communication Program	3,475	430	200	200	195	4,500	Tied Compact[1]
a. Headquarters Building	500	-	-	-	-	500	Compact Capital
b. Majuro Digital Switch Project	1,500	200	100	100	100	2,000	Tied Compact
c. Majuro Outside Plant Project	1,475	230	100	100	95	2,000	Tied Compact
B. Ebeye Communications Program	65	220	115	50	50	500	Tied Compact
C. ComSat Earth Station Purchase Feasibility Study	-	-	-	-	10	10	Telecommunications generated funds
D. Outer Island Communications Project	10	550	500	320	120	1,500	Tied Compact
E. Ship to Shore Services Project	-0	-40	10	280	1,010	1,300	Tied Compact
F. Air-to-Ground Communications and Assistance Program	25	175	245	220	205	870	Tied Compact
a. O.I. Airstrip Communications Stations	10	80	70	70	20	250	Tied Compact
b. O.I. Radio Beacon Navigation Aids	15	95	155	150	185	600	Tied Compact
c. Air Route Telex Circuit and Honolulu Flight Service Center Circuit	-	-	20	-	-	20	Tied Compact
G. Personnel Training Project	30	30	25	25	25	135	Compact Capital
H. Ebeye Telephone System Upgrade	80	250	250	1,000	950	2,530	KADA
Sub-Total Telecommunications	3,685	1,655	1,345	2,095	2,565	11,345	
Communications							
Kwajalein Atoll O.I. Radios	-	28	-	-	-	28	KADA
Sub-Total Communications	-	28	-	-	-	28	

[1] Provided by Section 215(b)(2). This applies to all Telecommunications projects for which Tied Compact has been identified as funding grants.

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
Energy							
Energy Office	50	50	50	50	50	250	Compact Capital
Energy Audits	10	10	10	12	12	54	Compact Capital
Curricula	8	12	2	3	3	28	Compact Capital
Education and Information	5	5	6	7	8	31	Compact Capital
Data Bank	50	15	15	15	15	110	Compact Capital
Outer Island Lighting	60	70	40	50	50	270	Compact Capital
Dispensary Solar Refrigeration	40	40	40	40	40	200	Compact Capital
Model Village Power	-	-	50	400	50	500	Compact Capital
Utirik Monitoring	20	20	-	-	-	40	Compact Capital
Building Retrofit	-	75	70	50	15	210	Compact Capital
Solar Water Heating	50	50	-	-	-	100	Compact Capital
Special Project Maintenance	50	50	50	50	50	250	Compact Capital
Wood Stoves	50	25	25	-	-	100	Compact Capital
Hybrid Ice Maker Refrigerations System	80	200	100	100	100	580	Compact Capital
Biogas Farm	20	15	-	-	-	35	Compact Capital
Kwajalein Atoll O.I. Solar Electricity Systems	-	40	45	100	-	185	KADA
Sub-Total Energy	493	677	503	877	393	2,943	

[1] Section 214 of the Compact provides funds for energy production; these funds, however, have already been identified for debt servicing the Majuro Power Plant.

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
Public Utilities							
Upgrade 4160V Distribution to 13.8KV service to Rita and provide service to Laura	-	-	300	500	500	1,300	Compact Capital
Laura Lens Well	200	1,300	1,000	-	-	2,500	CIP
	-	-	-	500	-	500	Compact Capital
	200	1,300	1,000	500	-	3,000	
Majuro 12-Million Gallon Reservoir	-	200	200	100	-	500	Compact Capital
Majuro Backflow Preventer	20	20	26.5	-	-	66.5	Compact Capital
Majuro Refuse Incinerator	20	150	30	-	-	200	Compact Capital
Majuro water meters	28	20	-	-	-	48	Compact Capital
Majuro KWH Meters	50	50	30	-	-	130	Compact Capital
Power/Desalination Plant Ebeye	12,572	2,000	1,750	750	-	17,072	KADA
Fuel Farm Ebeye	-	1,190	1,100	-	-	2,290	KADA
Water Distribution, Ebeye	-	500	1,000	1,000	500	3,000	KADA
Electrical Distribution, Ebeye	450	-	1,000	700	500	2,650	KADA
Sewer Lines and Outfalls, Ebeye	-	-	1,500	1,500	1,000	4,000	KADA
Kwajalein Atoll O.I. Water Systems	-	80	60	50	-	190	KADA
Salt Water System Ebeye	-	1,000	-	1,000	-	2,000	KADA
Reservoir, Catchment, Ebeye	-	1,900	2,600	-	-	4,500	KADA
Public Works Building, Ebeye	-	-	165	675	-	840	KADA
Ebeye Facilities Maintenance	500	800	800	800	800	3,700	KADA
Ebeye Sewer Rehabilitation	-	1,000	990	-	-	1,990	CIP
Utility System Upgrade	200	-	-	-	-	200	CIP
Majuro Sewer	1,500	5,000	5,000	1,000	-	12,500	CIP

Ebeye Water System	1,000	900	-	-	-	1,900	CIP
Debt Service Power Plant	10,631	9,382	7,010	4,805	3,501	35,329	Balance Recurrent Budget, Tied Compact
Sub-total Public Utilities	27,191	25,692	24,471.5	13,160	6,001	97,315.5	
TOTAL INFRASTRUCTURE SECTOR	47,070	42,660	41,744.5	38,834	24,446	194,762.5	

D. GOVERNMENT SECTOR

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
Local Government							
Marshall Islands							
Local Leadership	10	9	9	9	9	46	College of Micronesia
Development Program	9	9	9	9	9	46	Compact Capital
	20	18	18	18	18	93	
Community Project Assistant Mini-Grants Programs	6	12	12	12	12	54	Compact Capital
Mayors-Bi-Annual Conference	20	-	20	-	20	60	Compact Capital
Local Government Operations Assistance Program	100	90	80	70	60	400	Compact Capital
Sub-Total Local Government	146	120	130	100	110	607	
Office of Planning and Statistics							
Local Level Planning	100	100	100	-	-	300	Compact Capital
Sub-Total Office of Planning and Statistics	100	100	100	-	-	300	

Project	1985	1986	1987	1988	1989	Total	Funding Source
Public Safety							
Renovation of Ebeye Public Safety Building	-	100	-	-	10.5	110.5	Compact Capital
Renovation of Majuro Public Safety Building	-	100	-	-	20	120	Compact Capital
Construction of a New Police Station at Laura	-	30.9	-	-	10	40.9	Compact Capital
Funding for Police Training Programs	21.1	15	20	20	35	111.1	Compact Capital
Construction of Juvenile Reformatory Center in Majuro	-	50	-	-	15	65	Compact Capital
Fire Trucks for Majuro and Ebeye	300	300	300	-	300	1,200	Compact Capital
Funding for Emergency Cases in the Outer Islands	-	15	20	30	30	95	Compact Capital
Construction of a Detention Facility for Female Offenders in Majuro	-	-	35	-	-	35	Compact Capital
Public Safety Building, Ebeye	-	114	1,140	-	-	1,254	KADA/Ministry of Justice
Sub-Total Public-Safety	321.1	724.9	1,515	50	420.5	3,031.5	

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
Public Information and Broadcasting							
-Broadcasting							
Audience Surveys/Program Evaluation	-	5	-	-	5	10	Compact Capital
College of Marshallese Folksong and Contemporary Music	2.5	3.5	3.5	3.5	3.5	16.5	Compact Capital
Radio Program Development	2	3.5	3.5	3.5	3.5	16	Compact Capital
Radio Personnel Training Program Abroad	-	19	20	20	20	79	South Pacific Commission and United Nations Development Program Educational Funds
Sub-Total Broadcasting	4.5	31	27	27	32	121.5	
-Gazette							
Program Expansion	9	9	9	9	9	45	Compact Capital
Sub-Total Gazette	9	9	9	9	9	45	
Sub-Total Public Information and Broadcasting	13.5	40	36	36	41	166.5	

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
Postal Service							
Construction of Postal Facilities	25	25	25	-	-	75	Compact Capital
Sub-Total Postal Services	25	25	25	-	-	75	

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
National Weather Services							
Manpower Training Program	-	3.5	3.5	-	-	7	Federal Grants
Re-opening Ebon and Ujelang Secondary Stations	-	-	7	7	-	14	Federal Grants
Sub-Total National Weather Services	-	3.5	10.5	7	-	21	
National Government							
Capitol Building	-	1,300	1,300	-	-	2,600	CIP
	-	2,200	2,200	-	-	4,400	Compact Capital
	-	3,500	3,500	-	-	7,000	
Constitution (Debt Service)	10	415	658	-	-	1,083	Balance Recurrent Budget, Compact Capital
Sub-Total National Government	10	3,915	4,158	-	-	8,083	
Nitijela							
Office Space for Senators	-	250	-	-	-	250	Compact Capital
Library for Nitijela	-	-	100	-	-	100	Compact Capital
Sub-Total Nitijela	-	250	100	-	-	350	

Project	1985	1986	1987	1988	1989	Total Cost	Funding Source
Finance							
Computerization of Tax and Revenue System	5	-	-	-	-	5	Compact Capital
Computerization of Accounts Receivable Billing of Functions	10	-	-	-	-	10	Compact Capital
Computerization of Procurements and Inventory System	-	15.5	-	-	-	15.5	Compact Capital
Sub-Total Finance	15	15.5	-	-	-	30.5	

Title	1985	1986	1987	1988	1989	Total Cost	Funding Source
Auditor General							
Audit Training Program	-	7.5	7.5	7.5	7.5	30	Compact Capital
Sub-Total Auditor General	-	7.5	7.5	7.5	7.5	30	
TOTAL GOVERNMENT SECTOR	630.3	5,201.6	6,082.2	200.7	579.2	12,694	
GRAND TOTAL ALL SECTORS	70,624.7	73,508	70,025.3	64,918.3	57,020.9	336,097	

Question: Has a prioritized plan been developed for the use of these funds?

Answer: The Government's priorities are expressed in the development goals and strategies enumerated in the plan. These goals and strategies will guide the annual development budget process, which will be the mechanism through which highest priority projects are funded.

The United Nations Development Program has approved a project to establish and institute a development budget process. Four United Nations personnel will arrive shortly in the Marshall Islands to begin the project.

Questions: How does the debt restructure plan and the general obligation bond plan fit in to the use of these Compact funds?

Answer: Page 82 of the Plan states that the Government will "give highest priority to servicing its debt." Consistent with this priority, the Government intends to use as much as $9.8 million from Section 214 funds and as much as $32.4 million from Section 211 funds for debt service within the first five years of the Compact period. (See Appendix 2 of this response.)

The Government will engage in a general obligation bond issue with the proceeds being used to retire existing long-term debt. Compact funds (Sections 211 and 214) will be used to repay the bondholders.

Question: In Oscar De Brum's opening statement he mentions the disappointment the Marshall Islands has had in the failure of the Administration to meet the timetables promised. As a result of these missed timetables, the Marshall Islands has engaged in a costly rescheduling of their long term debt.

Can you explain these missed timetables?

Answer: The Administration of President Jimmy Carter informed the Government of the Marshall Islands that the Compact would be implemented by the end of 1981. Since that time, the Reagan Administration has made other estimates regarding the effective date for the Compact, including November 1983, Spring 1984, Summer 1984, 1 October 1984, "by Christmas 1984", "early 1985", 1 October 1985, November 1985, December 1985, April 1986, and July 1986. These estimates have not been realized.

Question: Are they the fault of the Administration or of Congress?

Answer: We believe that the Administration is responsible for negotiating the Compact and for obtaining the approvals which are necessary to give effect to the Compact.

Question: What is the nature of this debt?

Answer: The total principal borrowed and purpose of the debt is as follows:

PURPOSE	AMOUNT
Majuro Power Plant	$ 24,899,799
HS 748 Aircraft	10,231,267
Dornier Aircraft	4,336,200*
Landing Craft/Copra Warehouse	3,147,000*
Refinancing Loans	10,995,267
Dairy Plant	1,108,000
Dock Plant	600,000
Constitutional Convention	600,000
Nomad Aircraft	1,657,500*
TOTAL DEBT	$ 57,575,000

* denotes amount of US dollar equivalent.

Question: Did the Marshall Islands jump the gun and borrow against the Compact funds without realizing exactly when they would come?

Answer: The Government of the Marshall Islands believes that the projects for which the debt has been incurred have precipitated the recent strong economic growth and social advancement which have occurred in the Marshall Islands. In this sense, the Government believes that the timing of the borrowing has been correct. Obviously, the Government misjudged the ability of the United States administration to secure approval of the Compact. This has necessitated the rescheduling of the long-term debt.

Question: If so, how much of the Marshall Islands $75 million economic development funds were spent in this manner?

Answer: The Marshall Islands will receive approximately $80.6 million in capital account funding during the first five years of the Compact. During this period, approximately $53.8 million, or 66.7 percent of capital account funds, will be used for debt service on the bond issue (assuming the current ten-year T-Bond rate plus 100 basic points for the interest rate on a fifteen year loan).

Question: What is the cost of the debt rescheduling?

Answer: The government has, to date, secured two debt refinancing loans amounting to $10,995,267. Since the general obligation bond project has not yet been implemented, it is not possible to state the cost of this debt rescheduling. However, at current Treasury Bond rates, the interest rate on the bond issue is likely to be between 8 and 9 percent. This compares to a weighted average interest rate on the government's current loan portfolio of 12.62 percent.

Question: One of the problems that is continually mentioned by the Marshalls in the implementation of the Compact of Free Association, is the uncertainty surrounding the transition phase.

Who is providing you guidance during this transitional phase?

Answer: The issue is not one of guidance. The transitional problems we face have resulted because the Government of the United States has not yet established an office to coordinate financial and program assistance to the freely associated states. Administration representatives acknowledged as much in the 21-25 April 1986 talks in Honolulu. We are concerned that the United States Government has not discussed with us in detail the procedures for transitional management and the management of relations with the freely associated states. To date, such matters have been discussed in only general terms. Until an office is established for dealing with the freely associated states, the Government of the Republic of the Marshall Islands has been assisted in initiating working relationships with those federal agencies that will provide program and technical assistance under the Compact through the good offices of the Office for Micronesian Status Negotiations, the Office of Territorial and International Affairs, and the State Department Liaison Officer in Majuro. In addition, the Office of Territorial and International Affairs has awarded a technical assistance grant of $40,000 to fund the position of a Special Assistant to the Chief Secretary of the Government of the Marshall Islands to help with implementation of the Compact and the Special Assistant has been on board since March 24. The Government of the Marshall Islands is also in the process of establishing a liaison office in Washington, D.C., to facilitate the change in the relationship between the two governments. As long as the supplemental appropriation for fiscal year 1986 remains pending, uncertainties will persist in regard to an effective date for the provisions of the Compact. It has become apparent that, in order to coordinate transitional matters, the United States Government must establish an office for dealing with the freely associated states as soon as practicable. Coordination is especially crucial in the area of federal grant program assistance for which the procedures for delivering services during the period of the Trusteeship may no longer be applicable.

When the Nitijela re-ratified the Compact of Free Association in February 1986, it stated that the United States Department of State should serve as the principal coordinating agency. Resolution 62 of the Nitijela states, in part, that "in approving the Compact and its subsidiary agreements, it is the intent of the Nitijela that the Government of the Marshall Islands, as a sovereign nation in free association with the United States, shall conduct its official relations with the Government of the United States through the United States Department of State, and the Government of the United States shall conduct its official relations with the Government of the Marshall Islands through the Ministry of Foreign Affairs."

Question: For the record, please itemize any provisions in the Compact where funds have not been requested by the Administration.

Answer: The Administration has not requested funds for programs in Sections 105 and 106 of the Compact Act, which benefit both the Republic of the Marshall Islands and the Federated States of Micronesia, and in Section 103, which benefit the Marshall Islands. The specific programs and the amounts are as follows:

1. Paragraph 103(d)(3)--Additional Assistance for the Kwajalein Atoll Development Authority; $17.7 million in FY 1987;
2. Subsection 103(h)--Department of Energy Radiological Health Care Program for Rongelap and Utirik; $2.0 million in FY 1987;
3. Subsection 103(h)--USDA Agricultural and Food Programs for the the peoples of Bikini and Enewetak; $1.8 million in FY 1987;
4. Subsection 103(k)--Enjebi Community Trust Fund; $10.0 million in FY 1987;
5. Subsection 103(l)--Bikini Atoll Cleanup; $8.0 million in FY 1987 for a base camp on Eneu Island;
6. Paragraph 105(c)(2)--Continuing Trust Territory Authorization, Transition Purposes; $2.6 million for construction of a new capitol and $3.3 million for construction of the College of Micronesia Nursing School in FY 1987;
7. Subsection 105(d)--payment of medical referral debts; $7.0 million in FY 1987, of which $2.6 million is for the Marshall Islands;
8. Paragraph 105(i)(2)--federal grant programs in the area of education; $13.0 million in FY 1987;
9. Paragraph 105(m)--prior service benefits; $0.3 million in FY 1987;
10. Subsection 105(n)--Indefinite Land Use Payments; $2.0 million in FY 1987; and
11. Subsection 106(b)--Construction Contract Assistance; $1.0 million in FY 1987.

In addition, Subsection 105(j) states that the freely associated states shall not be responsible for debts of the Government of the Trust Territory. We understand that the cumulative deficit of the Trust Territory Government is approximately $13.0 million.

Subsection 105(l) provides that technical assistance services of certain federal agencies shall be made available to the freely associated states on a non-reimbursable basis. While funds for technical assistance are included in the fiscal year 1987 budget request for the Department of the Interior, Office of Territorial and International Affairs, it is not clear whether the Department intends to use its funds pursuant to Paragraph 103(a)(2) and Subsection 105(l).

In regard to the education programs assured to the freely associated states, we recommend that Subsection 105(i) of the Compact Act be amended to delete Paragraph 105(i)(3) so that the programs and services of the Department of Education would be made available to the freely associated states without special appropriation within the limitations set forth in P.L. 99-239.

On 18 February 1986, the Nitijela passed resolution Number 62, giving approval to the United States Compact of Free Association Act of 1985. When the Nitigela approved the Compact Act, it did so with the understanding that funding for the programs provided in the Compact Act would be appropriated and made available on a timely basis, including the programs in Sections 103 and 105.

Fiscal Year 1986 Supplemental Appropriation.

The Administration, in the fiscal year 1986 supplemental request to implement the first year of the Compact, is seeking to offset against the Compact appropriation, operation and other grants to the Marshall Islands and the FSM. These other grants include funding for Satellite Communications, College of Micronesia, Prior Service Benefits, Capital Improvement Projects, and Enewetak support. We understand that operation grants will be offset to avoid duplication. This is however not the case with respect to the five other grants and we strongly urge that this committee seek amendment of the FY 1986 Supplemental Appropriations Bill to eliminate the offset against Compact funding for these grants. The amount of these grants for the Marshall Islands and the FSM total $6,823,000.

SUBCOMMITTEE RECESS

Senator McClure. The subcommittee will stand in recess until 2 p.m., Thursday, May 8, 1986, when we will review the fiscal year 1987 budget request for the Smithsonian Institution and the Holocaust Memorial Commission.

Thank you very much.

Mr. Montoya. Thank you, Mr. Chairman.

[Whereupon, at 4:07 p.m., Thursday, May 1, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, May 8.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

THURSDAY, MAY 8, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:10 p.m., in room SD-192, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure and Garn.

U.S. HOLOCAUST MEMORIAL COUNCIL

STATEMENT OF RICHARD KRIEGER, EXECUTIVE DIRECTOR

ACCOMPANIED BY:
- **SHARON FREED, GENERAL COUNSEL**
- **STEPHEN E. LYNCH, DEPARTMENT OF THE INTERIOR**

PREPARED STATEMENT

Senator MCCLURE. The subcommittee will come to order.

This is the time scheduled to review the fiscal year 1987 budget request estimates for the U.S. Holocaust Memorial Council and the Smithsonian Institution. We will begin with the Holocaust Memorial Council. The fiscal year 1987 budget request for the Council is $2,057,000, a decrease of $146,000 from the fiscal year 1986 adjusted level.

We welcome Mr. Richard Krieger in his first appearance before the subcommittee as the recently appointed Executive Director of the Council.

Your statement will be made a part of the record, in full, at this time. If you would introduce your associates, we will then proceed with the questioning.

[The statement follows:]

STATEMENT OF RICHARD KRIEGER

Thank you for the opportunity to appear today on behalf of the United States Holocaust Memorial Council, of which I am honored to serve as its Executive Director. In this connection, I am honored to bring you the personal greetings of the Council's Chairman, Elie Wiesel. The Council's Fiscal Year 1987 request for appropriations can be found at Page I-Z128 in the Appendix to the President's Budget for Fiscal Year 1987, as supplemented by narrative text and tables previously submitted to the Subcommittee by the Council's staff. The Council's federal funds budget request for Fiscal Year 1987 is $2,057,000, which represents a net decrease of $55,000 from the 1986 appropriation of $2,112,000. This request will fund 29 fulltime equivalent workyears, and enable the Council to continue to support civic commemorations of The Days of Remembrance, to maintain its momentum toward constructing a Memorial Museum and to meet its other legislated mandates, including the planning of museum programs, exhibitions, education facilities, a library and international archives as well as the maintenance of Government contracts procurement, fiscal policy oversight and accountability for the entire activity.

As in past years, we are very appreciative of the support that the Administration has given this Council. On the occasion of the official Groundbreaking for the Memorial Museum, we were privileged to receive communication from President Reagan stating, "We are building this Museum not just to pay our respects to the memory of the victims of an immense tragedy, nor merely to provide the living with a reminder of the horror which even now is slipping out of living memory and into history. We build today for our posterity." These are powerful words as we move forward to render in stone the design of the structure and create the interior concepts for memorial, exhibitions, culture, scholarship and education spaces.

Mr. Chairman, it is a great pleasure to appear before you today and to have this opportunity to report the substantial progress that has occurred during this past year. As you know, from its creation by enactment of Congress in 1980, the Council was given authority to proceed under the provisions of the enabling legislation, provided construction had begun within five years and that the Secretary of Interior certified that sufficient funds were available to assure completion of that construction. We are pleased to report that on October 4, 1985 Secretary of the Interior, Donald P. Hodel, approved the architectural plans for the Museum and certified that sufficient funds are available to complete construction. Later that same date, the stakes demarcating the structure's boundary were set in a ceremony signifying commencement of construction. On October 16, Chairman Elie Wiesel turned the first shovel of earth in an extraordinarily moving public groundbreaking ceremony in which the official colors of 10 American Army Divisions that liberated the concentration camps were displayed and earth brought from several European Concentration Camps was mingled with American soil to create a unique and symbolic base for the Memorial Museum that will rise on that valuable site.

While the overall external design has been approved by the Secretary of the Interior, the internal design components were in their infant stages prior to this year. Great care and effort previously had been devoted to the gathering of factual information upon which to base the Museum content and in turn the interior design components. However, the myriad of individual efforts by numerous consultants, experts and contractors had not been consolidated into a total interior design concept. Therefore, in November 1985, Chairman Wiesel appointed a Design Concept Development Committee to synthesize previous data for the Council. We were pleased and fortunate to have that Committee chaired by Mr. Stuart Silver, formerly Director of Design of the Metropolitan Museum of Art in New York and an internationally respected authority on museum design planning and content. That Committee, which also included Council staff and experts in the areas of Holocaust education, history, archives, film making and architecture, has now presented to the Council for its review a comprehensive Design Concept Report that will serve as the roadmap for future programmatic development and internal exhibit design.

This Committee and its Report reinforced earlier recommendations that just as important as the building design concept is the Museum's broad mandate in public education, which requires that it address millions of Americans of all ages and backgrounds, both the millions who will visit the Museum in Washington and many others who are unable to do so. The programmatic exhibit elements in the Museum will describe the unique tragedy of European Jewry -- its lost people and culture; the spread of evil to other victims; the complex unfolding of the Nazi era while the free world looked on; the instances of armed and spiritual resistance and rescue; the survivors and their liberators; and the awesome implications for all humankind of the Kingdom of Night. This challenge will be met in a facility that integrates historical authenticity and innovative exhibit design with a diverse range of learning resources and sophisticated teaching techniques. In addition to the Museum's documentary resources, there will be a full schedule of public educational programs. Lectures, film series, conferences, seminars and classes will be held, both at the Museum and in outreach efforts. Moreover, the Museum will provide an extensive traveling exhibition service for the benefit of other museum, educational and civic institutions throughout the nation and the world.

The United States Holocaust Memorial Museum has a special obligation and opportunity to support the highest level of academic research, curriculum development, and teacher awareness and training services. Archival, artifact and library collections will provide fundamental resources for resident and visiting scholars. The Museum will be a central address for linking the evaluation and sharing of Holocaust curricula, textbooks, documents, audiovisual materials and teaching techniques.

The Museum also will be instrumental in integrating the archival collections of Holocaust museums, libraries and research institutions throughout the world, both by preserving and accessioning microfilm, microfiche and videodisc copies of original documents and photographs, and, by creating through a model computerized automated international archival network, universal indices and glossaries for reference and research. This is a notable example of how this important new institution will be able to provide leadership and service to other museum, library and research institutions in the United States and abroad.

To fulfill these mandates, the Council has made significant progress in establishing and testing educational tools, identifying archival material and making national and international contacts toward achievement of specific museum archival and educational goals and objectives. As we have noted, we have, assuming full Council approval, completed the conceptual outline of our permanent exhibit design approach; we have developed, with the assistance of the University of Maryland, a novel and exciting approach to museum education involving a computer-assisted, interactive Holocaust encyclopedia; completed a demonstration model of a multi-media presentation of a significant Holocaust subject -- in this case, the fate of the Riga Ghetto; proceeded through two phases of a three-phased exercise for the development of a prototype demonstration of the elements of the international, automated archival system for locating Holocaust materials residing in all the important Holocaust Centers, museums and repositories in the world -- a badly needed resource for museums and scholars alike.

As a result of the concerns expressed before this Committee in the past, and the full understanding and assistance provided to us by this Committee and your counterpart in the Senate, on March 1 we entered into an Interagency Agreement with the National Archives to begin the project which will preserve Holocaust-related documentation in the National Archives from deterioration and will provide an automated inventory to such records for the use of not only the Holocaust Council and the National Archives, but independent researchers as well.

The identification of resources and the development of such educational tools by the Council is essential if the Museum is to become a service institution that will provide unprecedented access to Holocaust curricular, teacher training and archival, artifact, video and film resources using sophisticated techniques.

During Fiscal Year 1987, the detailed planning must continue to determine the specific configurations of the several exhibits, the library and archival material and the education program components of the facility. Planning to date envisions an interrelated complex consisting of archival and curatorial material as well as audiovisual presentations to display for the public the story of the Holocaust; a national memorial space within the facility; and further exhibits, library, archives and computerized facilities available to the general public, educators, students and other academicians to study and research the history of the Holocaust, as well as to make available to the educational community access to the materials and collections of other national and international Holocaust Resource Centers.

Plans for Museum development will also be applied to the essential education development planning for three kinds of work: coordination of outreach services (e.g., to inaugurate awareness and training programs in cooperation with national educational associations and with the Department of Education); computer system design (to plan research and basic instruction software and resultant hardware requirements); and media systems design (to include videotape, disc and related technologies). Comparable detailed planning is underway to identify specific exhibit and archival approaches.

As you are aware, Mr. Chairman, in 1981 we were pleased to be able to sponsor the first International Liberator's Conference and, in 1984, a second Conference for those who rescued Jews during the Holocaust. Continuing the success of these Conferences and recognizing the valuable documentation which, in future years, will become priceless archival material, we are planning for another Conference to be held next winter to reach out to the "other victims" of the Nazi terrorism. The facts, documentation and the learning experiences of these Conferences are invaluable as we proceed with final Museum content and design so that all aspects of this uniquely horrible period become an integral part of the story the Museum must tell.

Moreover, we are ever cognizant of our other mandated responsibilities, "to provide appropriate ways for the Nation to commemorate the Days of Remembrance as an annual, national, civic commemoration of the Holocaust, and shall encourage and sponsor appropriate observances of such Days of Remembrance throughout the United States."

Since 1983 the Council has successfully and completely fulfilled its Congressional mandate of encouraging appropriate civic observances of Days of Remembrance. This program of working with the offices of governors, mayors, and state legislative leaders to encourage local commemorations is well established and well run. Each year every governor and hundreds of mayors and state legislative leaders appoint liaisons to coordinate state and local civic commemorations of Days of Remembrance. The Council supports these liaisons with materials and advice. Our files are filled with reports of hundreds of moving and well-attended civic commemorations throughout the country.

As a parallel activity, we have expanded year by year our outreach to local educational, civic and religious institutions. In 1985, we wrote to some 60,000 institutions and filled approximately 5,000 requests for supplemental educational material. In 1986, we wrote to 80,000 institutions and will fill at least 6,000 orders. In 1987, we will write back to those 6,000 institutions, building our relationship by helping them expand their programs. We also will write to some 80,000 other civic, religious, military and educational institutions. In 1987, we may well service some 10,000 individual institutions.

For the past two years, we have also sponsored a high school writing contest on Holocaust themes, and anticipate continuing this program in 1987. We believe this outreach effort is an integral component to the Council's program and in the 1985 words of President Reagan, "Our pledge was more than 'Never again...' It was also 'Never forget.'"

Finally, the Council remains cognizant of its responsibility, under the law, to raise substantial funds from the private sector, for costs beyond those of bricks and mortar construction for which Federal appropriations are expressly prohibited. The major fund-raising campaign effort was launched in Fiscal Year 1984 and was bouyed by President Reagan's decision to serve as the Campaign's Honorary Chairman. The success of the campaign during the past Fiscal Year is clearly indicative that the efforts to build this living Memorial Museum is supported by people from all sectors of American life - religious, business and civic leaders; veterans; foundation officers; government officials and many others.

The Christian community, as individuals and institutions, is offering support. Non-Jewish ethnic Americans, such as Slavs, Poles, Gypsies and Armenians, are contributing to the effort. The nation's governors are also actively working to support the Museum through official fund raising events in their respective state houses. Those already held have resulted in substantial pledges at each, and thus far, more than 30 such events have been scheduled or committed.

Thank you and the rest of the Committee for your time and consideration of our Fiscal Year 1987 appropriation request.

INTRODUCTION OF ASSOCIATES

Mr. KRIEGER. Thank you, Mr. Chairman. Seated with me are Sharon Freed, the General Counsel, and Mr. Stephen E. Lynch, representing the Department of the Interior.

Senator MCCLURE. Thank you very much.

First of all, I would like to congratulate the Council on their success in achieving a national observance and recognition of the days of remembrance throughout the United States. This year the Council has achieved its goal of all 50 States participating in commemorative activities and ceremonies in observing the days of remembrance.

I would like to have the text of the commemoration ceremony that was held in the Capitol rotunda on Tuesday, May 6, to be inserted in the record at this point.

Mr. KRIEGER. Mr. Chairman, the text is being corrected, and we will be pleased to submit that early next week, if we may.

Senator MCCLURE. Very good. Thank you very much.

[The information follows:]

BEFORE THE

UNITED STATES DEPARTMENT OF THE INTERIOR

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In the Matter of: :

DAYS OF REMEMBRANCE, 1986 :
THE UNITED STATES HOLOCAUST
MEMORIAL COUNCIL :

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Rotunda, United States Capitol
Washington, D.C.
May 6, 1986 12:00 Noon

APPEARANCES:

ELIE WIESEL, Chairman, U.S. Holocaust Memorial Council
MARK TALISMAN, Vice-Chairman, U.S. Holocaust Memorial Council

MILES LERMAN, Co-Chairman, Days of Remembrance Comm.
BENJAMIN MEED, Co-Chairman, Days of Remembrance Comm.
KITTY DUKAKIS, Member, U.S. Holocaust Memorial Comm.
ABRAHAM J. BAYER, Vice-Chairman, Board of Advisors

GEORGE BUSH, Vice-President of the United States
SENATOR BOB DOLE, Majority Leader, U.S. Senate
SENATOR ROBERT BYRD, U. S. Senate

RABBI ARTHUR SCHNEIER, Park East Synagogue
CANTOR ISAAC GOODFRIEND
REV. JOHN T. PAWLIKOWSKI

PROCEEDINGS

MR. TALISMAN: I am pleased to introduce Rabbi Arthur Schneier of the Park East Synagogue for the invocation.

RABBI SCHNEIER: Let us pray.

Forty-one years ago, most of Europe resembled Ezikeal's Valley of the dry bones. Six million Jews perished in the Nazi plan for the final solution. Among them over one million children.

Those of us, Oh Lord, who survived ask ourselves the question in the words of the prophet, our bones are dried up, our hope is lost. Can these bones live decimated, tortured, depraved, degraded by the Nazi oppressors. We wondered can there be a new lease of life for the survivors? Do we have a second chance?

Oh Lord, as we arouse from our nightmare safe from the clutches of death, we question our capacity to go on living, but you, Oh God, said to these bones, the whole House of Israel, I will put my spirit into you and you shall live.

We remember our liberators, Oh Lord, by their courage and with their blood they put an end to the evil.

We remember the men and women who fought and died so that we could live and today, Oh, God, we invoke your blessing upon the officers and soldiers of the United States Armed Forces who opened the gates of hell. They found us broken in spirit and body, dazed, unable to comprehend the incomprehensible, man's inhumanity to man.

Not only did they liberate us from the concentration camps, these soldiers became your emissaries of God as healers who helped us come back to life. Under the command of a noble and compassionate American General, Dwight D. Eisenhower, they fed us, they sheltered us, they sustained us, they instilled in us hope to start life anew. Some of us saw our dream fulfilled, we came to the land of freedom and opportunity, the great nation of immigrants.

Oh God bless America. Bless this land which gave us a new beginning and supported the rebirth and security of our people in the State of Israel.

Oh God, forty-two years later, we face a new dimension of man's brutality to man, the scourge of terrorism. Again, the men and women of our Armed Forces at home and abroad stand firm to protect our freedom and to guard our safety.

Oh Lord, protect and shield them and their families. Bless the President and the Vice-President of these United States who stand with us in our resolve against tyrany, terrorism and oppression.

(Hebrew spoken) We shall not die, but live to recount the deeds of the Lord. We shall live to labor for peace, for justice and for the freedom of all mankind and let us all say, Amen.

MR. TALISMAN: Please be seated.

First I wish to thank the Congress that's assembled here in this year in this hallowed place of democracy for having once again unanimously consented to the use of this very special hall so that we, as a nation, once again may remember.

I want to take this opportunity to introduce several people who would otherwise need no introduction except in this context: The Honorable Donald P. Hodel, the Secretary of Interior who has been a mentor, a friend and through his sensitivity, his whole Department has worked so hard to help us with our task of remembrance, Secretary of Interior Donald Hodel.

(Applause.)

I'm pleased also to recognize at this time, the newly appointed Director of the United States Holocaust Memorial Council, the Honorable Richard Kreiger.

(Applause.)

We are pleased also to have here John Morino, the Chief Counsel and Advisor of the Romani people of the West Coast. John.

(Applause.)

My name is Mark Talisman, the Vice-Chairman of the United States Holocaust Memorial Council.

Mr. Vice-President, our Chairman, our Beloved Chairman Elie Wiesel and distinguished members of Congress and guests, this dome rings out with the history which has taken place beneath it. It reverberates with the sounds of life as democracy renews itself daily within it. It recalls with tears the scenes of remembrances of Presidents and notables who have lain in state here to receive the salute of our people.

Today's ceremonies of remembrance is in keeping with the long and hallowed traditions of our nation to revere life, thus to remember those who have died and the reason for their demise.

We assemble again today in our annual taking of this moment together to remember what had heretofore been remote for most of us who had not directly survived the Holocaust or had been a liberator of those who had survived.

We now know and are learning so much every day about the Holocaust which had intentionally and unwittingly been programmed to forget. Each day reveals some among us here in this country who were perpetrators. Sometimes we are elevated by the story of a modest person who still lives among us who ennobled life because of his or her acts of heroism committed, they say themselves, so very long ago without a second thought because it was the right thing to do.

Yet we are still shadowed by the question of how much such monstrous acts could have been committed amidst such claims to civility and decency. It can truly be said ultimately so much that happened to six million Jewish people and millions of others including the Gypsies and homosexuals occurred because millions of good people, when offered the chance to help, did nothing.

Our aim must be change the odds in this everlasting and increasingly turbulent world in favor of decency so that when offered the great honor to be asked to save life, that our response is immediately in the affirmative. That is why this national Day of Remembrance to memorialize the victims of the Holocaust is best focused upon the positive acts of remembrance to assure it never happens again to anyone else ever again.

Simple tears however unending simply do not constitute such remembrance to honor the memory of those victims we loved so much. Our pledge to act upon that memory to assure that the future of our children will be bright based upon our knowledge that they will know where they have come in this history to be assured that they will know where they must go, never repeating the horrible lapses which occurred allowing millions of innocent people to be destroyed.

It is said that ye shall build up the foundations of many generations and those that shall be of thee, shall be like a spring of water whose waters fail not.

Thank you very much.

I would like at this time --

(Applause.)

-- to make a special announcement which we have been working on with our Romani brothers and sisters and all of you to take note of the opportunity that it will afford us.

Next September, the United States Holocaust Memorial Council will help sponsor a commemoration of the genocide of the Romani people, too much of which is not known by any of us and must be known. More than half a million Romani people were destroyed, victims of racial persecution in the lands occupied by the Third Reich. The date favored will be the anniversary of the destruction of the Zeguner Lager, a special Gypsy camp in Auschwitz in September of 1944.

It is now my great privilege and honor in this special place of remembrance for the whole of the United States to call upon that one person who best helps us remember, who looks to the future to apply the lessons of the past more eloquently than any teacher has ever done before. A teacher, a poet, a statesman, a man of common origin and of great purpose, Professor Elie Wiesel, Chairman of the United States Holocaust Memorial Council.

(Applause.)

PROFESSOR WIESEL: Mr. Vice-President, Majority Leader, Minority Leader of the Senate, Excellencies, Members of the Senate and the House, Secretary Hodel, distinguished guests and friends, allow me on behalf of the United States Memorial Council to thank you for being with us on this solemn Day of Remembrance.

Outside of the State of Israel, this is the only national ceremony held to commemorate a tragedy that is unprecedented and unparalleled in recorded history. We therefore, from the depth of our heart, thank the United States Congress and the American people for all they have done to help memory to triumph over oblivion and humanity over evil.

In our endeavors, we try to show both how vulnerable is the human spirit, vulnerable to totalitarian ideologies and fanatical superstitions and how resistant it can be. We think of the killers and we despair of creation. Then we remember the victims and in an upsurge of compassion, we renew our faith in man.

The killers sought to dehumanize their victims, but succeeded only in dehumanizing themselves. And so we do not advocate remembrance simply as a form of self-indulgence or as submission to melancholy, but as a means of redemption of the future, a future that has been so jeopardized by the past.

We remember the death to remind the living of an important essential urgent lesson. Death affects more than its victims; it affects the killers as well. [I do not know what it is, I can only say that I am pained whenever I hear anyone cry; I am pained whenever I hear anyone shout I am pained. I hope after the ceremony to find out what it was and if that person is pained, I shall personally try to apologize for no one here ever and especially at this ceremony should know pain.]

If remembrance has meaning, this is the meaning, to see in one another human beings, sovereign human beings equally sovereign, equally entitled to freedom and to dignity. What we have learned therefore is that death is so powerful that in human terms it affects the bystander as well, the neutral. The mission of man and the purpose of his life is to oppose and negate death rather than to offer it his blessing.

To remember Auschwitz is to denounce the evil of Auschwitz. To remember Treblinka is to protest against Treblinka. To remember the Holocaust is to express our profound belief that although creation has been destroyed or at least disfigured, distorted, it can be saved, for it must be saved.

Mr. Vice-President, friends, I have committed my life to one principle and the principle is memory. I know the questions and I do not know the answers, but I know that there is answer only in memory. Perhaps the answer is memory.

To forget means to side with the killers. It means to offer them a posthumous victory. To forget is not simply sinful, it is also dangerous. That much we know. To forget the dead would mean to betray them. To forget them would mean to allow them to be killed for the second time. We know that the killer always kills twice, the second time by erasing the traces of his crime and for this second murder, we would be responsible.

Responsibility is the key word when we deal with this dark chapter, the darkest since the beginning of time. The tragedy occurred because people did not feel responsible for one another. When political or religious or ethnic groups were being persecuted, people thought well, it's only the socialists, it's only the Gypsies, it's only the Slavs, it's only the anti-Nazis, it's only the Jehovah witnesses, it's only the homosexuals, it's only the weak, it's only the sick, it's only the Jews.

And then they thought it's only the Jews in Poland, only the Jews in Russia, only the Jews in Hungary or France or Holland or Germany. People did not understand that evil is contagious, that cruelty if unchecked grows and spreads indiscriminately. That what happens to one community affects all communities.

What is happening today may very well be a consequence of what happened then. All events are interrelated. At first Jews alone were the terrorists targets, now everyone is. From state-tolerated, terrorism has become state-sponsored, state-organized, state-financed and state-planned, aimed at killing children and innocent anonymous men and women who happen to be in a certain place together at a certain time for a certain reason.

Never allow anyone to romanticize terrorism again. It doesn't derserve it. The terrorists are killers. Killers of children, not of military men who could defend themselves. No, my friends, the criminal behavior of the terrorists must not be explained or rationalized. It must be denounced as an outrage against humanity.

But then there are still other abuses of man, racism, bigotry, anti-Semitism, fanatacism, social cynicism, or economic discrimination in so many lands. Now, think about it, the former highest official of the United Nations who is now running for President of Austria finds refuge in oblivion. What is this if not political cynicism on the highest level? Have the Austrian people learned nothing? Has the world learned nothing from its recent past? Oppression, censorship, dictatorships on the right and on the left, official discrimination, religious and political persecutions in Soviet or communist-dominated or Moslem countries. Sakharov's freedom is curtailed and my friend Vladirir Slepak and his wife are still awaiting their liberation; for twenty years they have been waiting and waiting and waiting.

What are we doing about it? Haven't we learned that just as the prisoner's freedom depends on ours, our freedom is conditioned and justified by theirs. As long as there is a person in jail, we are not free. As long as there is a person suffering, our happiness cannot be full. As long as there is a person suffering from indignation, suffering from persecution, suffering from torture and humiliation, our dignity is at stake.

We speak on behalf of memory and that memory gives us an awesome authority. To remember is to affirm the honor of man. To remember is to affirm his power to transform suffering into an appeal for sanity, into an appeal for compassion, into a necessary appeal for peace.

In a world of absurdity, we must invent reason. We must create beauty and grace out of nothingness and because there is violence, we must expose its ugliness. And because there is hate, we must unmask its grim purpose. And because there is despair, we must redeem it with hope. Because there is oblivion, we must remember.

(Applause.)

MR. TALISMAN: We wish in one small measure to apologize that this room is as small and as large as it is. There are many people standing outside who were not able to be with us inside and we beg their indulgence. There are millions of people throughout the United States through the magic of television who are here with us and we appreciate it very much.

The United States Holocaust Memorial Council and all of its friends wish to thank particularly Jack Fish of the National Park Service (National Capital Region) and all of his staff who are here today who have worked so hard to help us in our labors.

We also wish to say that the most incredible thing that has happened because of the unanimous consent of Congress five years ago is that five years ago two States had Days of Remembrance. Yesterday, each of the fifty Governors and each of the fifty States had Days of Remembrance; a great tribute to Congress.

(Applause.)

It is truly a great personal privilege and an honor to introduce to all of you now the new Vice-Chairman of the United States Holocaust Memorial Council, a survivor, a distinguished fighter for freedom literally, personally for all of his years, a man who best represents all of the survivors and their children in this room because of the great success he has made in his life, first in his personal commitment to help others with his resources which he has amassed and his wonderful creative mind, the Honorable William Lowenberg of San Francisco.

(Applause.)

MR. LOWENBERG: Thank you, Mark.

Good afternoon ladies and gentlemen. Today marks the third time Vice-President Bush has addressed the United States Holocaust Memorial Council, reflection of his deep sensitivity and firm support; we are most grateful, Mr. Vice-President.

Ladies and gentlemen, the Vice-President of the United States, Mr. George Bush.

(Applause.)

VICE-PRESIDENT BUSH: Thank you all.

Mr. Vice-Chairman, Mr. Wiesel, Senator Dole and Secretary Hodel, General Wickham, General Collins, General Quinn, Rabbi Schneier, Father Palokowski and Members of the Senate and House, and U.S. Holocaust Memorial Council, it was an afternoon in early May forty-one years ago when the American troops, units of the Third Army first entered a Nazi concentration camp and we are here today to remember the fact of the immense evil they uncovered. An evil that was not abstract, but specific. Specific to the six million Jews as well as Poles, Ukranians and others who perished in Hitler's death factories and to those who survived.

Specific also to all of us as human beings.

Through General Collins and General Quinn, we are honoring soldiers like our leader in the Senate, Bob Dole, fighting against the evils of fascism and specifically, those soldiers who liberated those camps.

Let me read to you the words of one of those soldiers, a sergeant who served under General Collins describing the people he found.

He wrote "Rows upon rows of skin covered skeletons met our eyes. Men lay as they had starved, discolored lying in indescribable filth. Downstairs in beds of crude wood, I saw men too weak to move dead comrades from their sides. It was like stepping into the dark ages to walk into one of these cellar cells and seek out the living."

These the words of an American sergeant. It's been said that liberating the camps changed forever the lives of the men that took part in it. They'd seen those who had suffered an immense evil. They'd seen the victims of evil in the most direct and specific way. Specific men, specific women and children, specific acts of murder.

The Nazis always tried to obscure specificity. They didn't talk, for example, of murder. They used obscure terms like "special treatment" or "resettlement" or "sending East." They knew that tyranny could not survive in the sharp light of truth.

Our challenge today is to insist that time will not become the Nazis' friend, that time will not fade our sense of specificity, the uniqueness of the Holocaust. That time will not lead us to make the Holocaust into an abstraction. Our challenge today is to remember, always to remember the Holocaust for if we remember we will, as our soldiers did, look its evil in the face and wherever and whenever such a horror happens again, we'll know it for what it is, and we will not avoid facing the specific truth or the specific humanity and specific suffering of the victim.

Forty-one years have passed since that April afternoon. The youngest of the liberators is now in his 60's. For four decades these men have served as have the survivors of the camps as the bearers of witness. They've testified to the full and awful truth of the Holocaust.

We must ensure that this memory survives them. The importance of memory, this is the enduring importance of this Day of Remembrance. This is the importance of the Holocaust memorial that's going to be built near the Mall. For memory is our duty to the past, and memory is our duty to the future.

Thank you very much.

(Applause.)

MR. LOWENBERG: Thank you, Mr. Vice-President.

Ladies and gentlemen, because of a prior commitment the Vice-President must leave after the candlelighting ceremony.

Now it is my great pleasure to introduce the first lady of the Commonwealth of Massachusetts, a member of the United States Holocaust Memorial Council since its inception, the Honorable Kitty Dukakis.

(Applause.)

MS. DUKAKIS: Mr. Vice-President, Chairperson, Elie Wiesel, distinguished Senators and Representatives, my fellow Council Members and our guests, I am deeply honored to participate in this annual national ceremony of the Days of Remembrance and particularly in the candle-lighting ceremony.

During these somber days, we pause to remember the six million, the six million Jews and millions of others, other innocent civilians murdered by the Nazis.

Elie Wiesel has spoken so eloquently about the profound reasons why we remember, but I personally still struggle with how to remember. Elie asked here in 1979, how anyone can comprehend so much pain and anguish?

Of course we do not have the answers, but perhaps the religious ritual of lighting candles can show us a way to remembrance.

When someone close to us has died and we try to remember that loved one one year after, many light a candle and the lone flickering candle reminds us of that individual and the unique way in which he or she lived and loved. It also reminds us that their spirit lives on in the memories of those whose lives they touched.

When we try to remember six million, six million, we are doomed to stagger and fail. It is a vast and overpowering abstraction. The candle helps us to break it down to human size. The candles silently tell us that in the six million there were mothers and fathers and sisters and brothers and grandmothers and grandfathers and aunts and uncles and cousins and cherished friends, individuals who loved and were loved.

Today as we light the candle, our minds are numb, but our hearts come together and ache together and break together.

I will call the names of those who are participating in our candle lighting ceremony. The first is Sigmund Strochlitz the Chairperson of the annual Days of Remembrance and Benjamin Meed, the co-chair of the annual Days of Remembrance. Senator Christopher Dodd of Connecticut; Congressman Bill Green of New York; Senator Claiborne Pell of Rhode Island; Congressman Ben Gilman of New York; Senator Frank Lautenberg of New Jersey; Congressman Jack Kemp of New York; Senator Mack Mattingly of Georgia; Congressman Bill Lehman of Florida; Senator Bob Kasten of Wisconsin; Congressman Stephen Solarz of New York; Senator Rudy Boschwitz of Minnesota; Congressman Tom Lantos of California.

Thank you very much, Mr. Vice-President, for gracing us with your presence today.

(Applause.)

MR. TALISMAN: I should note the presence in this room of so many Members of the House and the Senate who sit here as distinguished public servants and at the same time members of our audience. I wish I could name them all as I have tried to figure out a way each year to thank each of you for your patience and your kindness, your steadfastness of support.

This morning in the Education and Labor Committees special hearings were held under the Chairmanship of Augustus Hawkins on the House Concurrent Resolution 121 in an effort by Congresswoman Sala Burton to help school districts throughout the United States to encourage them to seek ways in which Holocaust education can be implemented by local school boards throughout the United States. We thank you for your help.

(Applause.)

There is one person who has worked and labored so hard for so long, fully forty years, to come to this Day of Remembrance, a survivor, now a proud American, successful businessman, father and grandfather. He is to us a dear friend who has persevered so long to come to this hallowed place. I am pleased to call upon the Honorable Sigmund Strochlitz, Co-Chairman of the Days of Remembrance Committee and Member of the United States Holocaust Memorial Council.

(Applause.)

MR. STROCHLITZ: Senator Bob Dole, Senator Richard Byrd, Chairman Wiesel, Secretary Hodel, Secretary Wickham the Chief of the Army, Members of Congress, your Excellency, fellow survivors, ladies and gentlemen. In this magnificent hall of freedom and democracy we gather for this nation to remember, to remember that in the heart of Europe a regime, conceived in hatred, murdered millions of innocent people. That slaughter was brought to an end by the American and Allied armies that rescued the remnants of European Jewry and others destined to be annihilated.

The Nazis' aim was to enslave Europe and eliminate all its Jewish inhabitants; not just kill, but to erase all traces past and present and make sure that their criminal deeds will never come to light. The Nazis took pleasure in telling us that we had no chance of coming out alive, a point they emphasized with particular relish by insisting that after the war, the rest of the world would not believe what happened. There would be rumors, speculation, but no clear evidence; all traces would be removed, and people would conclude that evil on such a scale was just not possible.

They would have succeeded if not for the wisdom and foresight of those men and women who liberated the camps and recorded what they had found. One of the most poignant reports can be found in a letter written by General Dwight D. Eisenhower, Supreme Commander of the Allied Forces in Europe to the Chief of Staff, General George Marshall dated April 4, 1945 and here I quote:

"The things I saw beggar description. The visual evidence and the verbal testimony of starvation, cruelty and beastiality were so overpowering as to leave me sick. In one room where they were piled up, twenty or thirty naked men killed by starvation, George Patton would not even enter. He said he would get sick if he did so.

I made the visit deliberately in order to be in a position to get firsthand evidence of these things if ever in the future there develops a tendency to charge allegations merely to propoganda."

And yet, we are lately faced with a new phenomenon. There are those who deny that the Holocaust ever took place despite the gas chambers and crematoriums, despite the eyewitness' accounts, despite everything. They preach lies, while we survivors and liberators, witnesses of a crime that has no parallel in history, are still alive.

We have no intention to engage in any discussion with those deranged minds. It is beneath our dignity and the dignity of the dead even to refute those lies. Just be strong are the voices coming out from the ashes of Auschwitz, Treblinka and Majdanek, just dedicate your lives to remember the inhabitants of large and small Jewish communities that for centuries were part of the European landscape.

From Brest Litowsk in Russia to the French city of Brest on the Atlantic coast in Brittany, Europe is drenched in blood of the six million of our people for whom there are not even tombstones and only our memories are their cemeteries.

We survivors cannot forget events others wish us to forget and must remember events others want us to remember not for our sake. Hatred is again on the rise and madness again entering history and what was possible to happen remains possible to happen again. Human beings are forgetful, even the best forget, even those who are sincere in their revulsion of the Holocaust are tempted to forget, to declare this ugly chapter of history closed, done with, over.

To forget the Gypsies who were destined to be annihilated and the Russians, the Poles, the Frenchmen, the Dutchmen who perished in the camps or all the millions of others who died fighting, challenging the Nazi regime would be a victory for our enemies.

Alone each of us can do little, but together we can make all the difference. The danger is forgetfulness.

(Applause.)

MR. LOWENBERG: It gives me a great deal of pleasure, ladies and gentlemen, to introduce the Minority Leader of the Senate, Senator Robert Byrd of Virginia.

(Applause.)

SENATOR BYRD: Mr. Wiesel, Mr. Dole, my distinguished colleagues, distinguished Americans, today the Congress of the United States pauses in its deliberations to take part in the Days of Remembrance of victims of the Holocaust.

As we briefly lay aside the problems and the promises confronting our nation today to memorialize the supreme tragedy of more than forty years ago, there are no more appropriate locations in which to do this than here in the Capitol Rotunda. This Rotunda is the symbol of all that the unspeakable crimes of the Holocaust tried to eliminate; human rights, individual liberties, the independence of nations living in freedom.

Our holding this ceremony here symbolizes the ultimate triumph of these values which other democratic nations also cherish over the unspeakable negation of those principles embodied by the Holocaust.

Today we gather here to remember those who died during this period of the greatest evil of modern history. We gather to give solace to those who survived and to those who lost loved ones. We gather to honor those who resisted by force of arms or by strength of will and those who helped others to resist and to escape mass extermination.

Finally, we gather to condemn those who stood by to permit those atrocities and those who committed them.

The memories of the Holocaust are painful especially to those who suffered through it and to those whose family members did not survive. These memories are frightening to the generations which did not live at that time and which are trying to understand now just how such horrible crimes against humanity could occur and could be allowed to occur.

As painful as these memories are, they must be remembered so that all who hear them might resolve that such evil will never again occur. Today's ceremony is part of this process of honoring and remembering and of rededication by all of us as individuals and as a nation to respect and defend human rights and human liberties.

By this rededication by remembering, we pay the highest tribute to those victims of the Holocaust whom we remember here today.

(Applause.)

MR. LOWENBERG: Only a handful survived the fires that consumed the Warsaw Ghetto forty-three years ago in April, 1943. We are proud to have one such survivor serve on the United States Holocaust Memorial Council who helps us guide the work of the Days of Remembrance Committee and is the President of the American gathering of Jewish Holocaust survivors.

I am particularly pleased to present the Honorable Benjamin Meed.

(Applause.)

MR. MEED: Mr. Chairman, Members of Congress, distinguished guests, fellow survivors and fellow Americans. Each year in this decade marks an anniversary in the life of the survivors.

Last year we celebrated the fortieth anniversary of our liberation. The moment when the kingdom of night came to an end.

This year, this month, marks the fortieth anniversary of our new life in this new land. Forty years ago under the leadership of President Harry Truman, American shores were opened, the American people welcomed survivors of the Holocaust.

Forty years in America, yet our memories go back to the Nazi gas chambers and to the ghettos closing a distance time cannot measure. The world was silent as our families were murdered. Today, along with the leaders of this great democracy, our nation honors our martyrs.

Like so many survivors, my wife Vladka and I came to America with hopes and memories. We came to make a home and rebuild a future. The first years were difficult and lonely. We could not understand the people we met, and they could not understand us. Everything was strange.

We went to work and built a new life. We survivors also had an obligation, an obligation to remember for those who we left behind, for those who were never offered the opportunity of America. We, the eyewitnesses, had to tell the story of what happened. This was the last wish of our dear ones as they were murdered, shot or gassed, remember what happened to us, they screamed, never let the world forget.

My story is not unique. Today, survivors are found in every State of the Union in every walk of life, artists, musicians, lawyers, doctors, writers and professors, philanthropists and industrialists.

Survivors are wealthy and survivors are poor. Our children, conceived in freedom and nurtured on two great traditions, American and Jewish, have taken their place in this country's life. Survivors and our children have served in the Cabinet, in the White House and in the

House and the Senate and on the Bench and at the United Nations.

Like other immigrants we brought the memories and cultures of an old land, rich memories of Jewish life thriving before the war in Eastern Europe, Yiddish theatre of Warsaw, poets of Lodz, yeshiva students of Vilna, artists of Moscow and Witebsk, musicians of Vienna.

We also brought with us bitter and painful memories, memories of death and destruction, hatred, collaboration and indifference.

For us the freedom of America, the tolerance of America, the pluralism of America tasted even sweeter. Like other immigrants, we also sought to leave our imprint on this land, our unique stamp, the calling card that says that we are here, and we are grateful that we are here.

For survivors of the Holocaust, our contribution will be remembered, not by songs, but in the memories we leave to the American people. Now through the leadership of our Presidents Carter and Reagan, with the unanimous consent of the House and the Senate and with the support of the American people, these memories have been permanently established in the national consciousness in the Days of Remembrance.

As our Chairman Elie Wiesel often says, it is not for the victims that we remember, for them it's too late. It is not for ourselves that we remember. Our memories cannot fade, they come to us in nightmares and in frightening moments in the middle of the day. They are with us when we see our grandchildren and we remember that our children grew up without grandparents.

For them the continuity of generations was cut off so brutally. We share our memories with others because we believe that in remembrance lays the secret of redemption, the protection of another generation of man, woman, especially children, who might otherwise be abandoned and forgotten.

By remembering we may save people we do not know and the people who may never have heard of us. We remember because we believe that in our memories lies a powerful reminder to live up to the traditions and the ability of America.

We remind the modern world that power, affluence and human ingenuity can be used to save the world or destroy it. Technology can be a servant of humanity or its angel of death.

Two hundred years ago a grateful people set down in Plymouth to take stock of what had happened in the years since they arrived. They ate a meal and they gave thanks. For generations since, Americans have paused at Thanksgiving time with gratitude to take stock.

Today another grateful people, survivors of the Holocaust, of the most wicked evil ever perpetrated on this earth, take stock of what happened. We pray and remember and we hope that the future generations of Americans will remember and use the power and the vision of America to protect people everywhere.

We survivors have lived two lives. We were abandoned to hell. Then we were given a new chance of freedom. We have spent a biblical generation binding two lives together. From America we have taken hope. In return, we offer our memories so that America, still so young, will learn from our past.

Memory is our most precious possession. Sharing our memory has become our part of American tradition. Each year in the bright shadow cast by our martyrs, we offer our country a moment to reflect on what the world has been and what it still might be.

Thank you.

(Applause.)

MR. LOWENBERG: Senator Bob Dole, Majority Leader of the United States Senate who, himself, is a veteran of the horrors of the Second World War has supported the work of the United States Holocaust Memorial Council in many ways great and small.

Nowhere is his sensitivity to the reason for our being more clearly demonstrated than his pledge, now fulfilled, that the United States Senate would ratify the Genocide Treaty.

He has served as a member of the United States Holocaust Memorial Council. He has been with us every step of the way. I am deeply honored to introduce the Honorable Robert Dole from Kansas.

(Applause.)

SENATOR DOLE: Thank you very much.

There are many, many distinguished guests here and I note a couple, Chairman Wiesel and the ranking member on Foreign Affairs Committee, Bill Broomfield. I'm happy to have them here.

And I also notice two people I can claim as part Kansas, David and Susan Eisenhower. I'm very happy to see you here, Ike's grandchildren.

I'm particularly pleased to be here. I would say, though very quickly, that time does pass quickly. For many of us the years since the end of World War II seems a little like a wink. Much has happened to displace the immediacy, the horror of the war, and our incredulity at what took place under the Nazi reign of terror, yet none of us who were alive and especially those like myself who were in Europe during the war, can escape the impact it had on our lives, nor should we escape it.

That is what this Day of Remembrance is all about, remembering that our own humanity, our decency is always hanging in the balance threatened by evils from within and from the outside and if we lay down our guard, if we refrain from lending a helping hand to men and women the world over who simply seek the right to be free, then we could confront one another if differed, the Holocaust ourselves.

As has been mentioned earlier, this year, the Senate took a step, finally took a step, that makes clear that the United States Government will never forget.

We took care of a piece of long-overdue unfinished business that's been hanging around this place for over thirty years and by an overwhelming vote the Senate ratified the Genocide Convention.

(Applause.)

It had been approved by the United Nations way back in 1948 and I'm reminded this morning there's another step to go. My good friend Hyman Bookbinder says now it's time to pass the implementing legislation so I guess that's our next challenge.

(Applause.)

And the vote was 83 to 11. It was bipartisan, better yet, nonpartisn, but it was a recognition long overdue and I would suggest that the only hope of avoiding such travesties is to do what we're doing right now, remember what happened in the 40's so it will never happen again.

So I am very proud and very honored, I'd never spoken in this place before, do most of our work down the hall, so I'm very honored to take, have a small part in what I consider to be a very memorable, very significant, a very worthwhile ceremony.

Thank you very much.

(Applause.)

MR. LOWENBERG: The liberators whom we also honor today were silent for many years, most until the Council sponsored the International Liberators Conference in 1981 here in Washington, D.C. where those who liberated the concentration camps could be a witness to what they had seen and experienced.

The Co-Chairman of that Conference and the Co-Chairman of the Council's campaign cabinet to build our Holocaust Memorial here in Washington, D.C. is our next speaker, the Honorable Miles Lerman.

(Applause.)

MR. LERMAN: Distinguished leader and Chairman of the United States Holocaust Memorial Council and Honorable Professor Wiesel and Honorable Secretary Hodel, esteemed Members of the House of Congress, you excellencies, on behalf of the various countries and our dear friends, thank you, thank you for sharing with us this solemn ceremony of remembrance.

This year's national Day of Remembrance is dedicated to paying tribute to the officers and soldiers of the United States Armed Forces who fought and many died in an effort to put an end to Nazi evil.

As the troops advanced into the enemy's heartland, they broke down the gates of the concentration camps and liberated its remnants at the point when they were only one footstep away from certain death. For this we and our children will remain forever ever grateful.

(Applause.)

As we pay tribute to our beloved liberators, we must not forget the other Army who so efficiently fought the enemy from within, the partisans and resistance fighters of all occupied countries.

(Applause.)

They fought different battles with somewhat different logistic objectives. They fought valiantly under the most adverse conditions because most of the partisans had little or no military training. They were poorly equipped with meager supplies of antiquated weapons and yet in spite of all these handicaps, they often succeeded in bringing havoc and demoralization to the invader.

Due to the daring efforts of the partisans many trainloads of ammunition and military supplies for the Eastern front lines never reached their destination. No small achievement for partisans.

What is even more impressive is the fact that many of these highly dangerous missions were accomplished by young Talmudic students who before the war never held a rifle or stick of dynamite in their hands.

They learned eagerly and quickly and became fierce fighters. Oddly enough, the full story of these difficult struggles and heroic achievements has not yet been fully told.

Most of the Holocaust literature deals with Jewish military resistance in a rather understated manner. As a matter of fact, there are even some writers who observed these tragic events from a far away and safe distance who in their writings, write to give the impressions that the Jews of Europe offered little resistance and submitted to the verdict of annihilation in a rather placid manner.

This, of course, is not so. It is just not so. The truth of the matter is that the so-called lack of resistance on the part of the Jews is a myth that will not stand up to the acid test of history. The facts are that Jewish partisans fought in every part of German occupied territories. Many have distinguished themselves with heroic bravery of extraordinary proportion.

It is a known fact that Jewish partisans were the first ones to volunteer for the most dangerous missions. Historic evidence proves that Jews played leading roles and fought courageously in most partisan groups and underground networks throughout Europe.

It is common knowledge that the first ones to rise in open rebellion against German oppressors were the Jews and the Jews only. The fighters of the Warsaw Ghetto and those who rose in revolt in the death camps of Treblinka and Sobibor had no illusions.

They understood clearly that their chances for victory was nil. They rebelled with one goal in mind and this was to die fighting in defense of the honor and dignity of their people, a people who fought desperately to survive, to save one of the family while most of their neighbors, unfortunately, stood idly by and did so pitifully little to help them in their plight. That's why we especially appreciate and remember the few that did and stepped forward and acted in a Godly manner.

Yes, there could have been more resistance. Yes, there should have been more resistance if only the outside world would have been more responsive to our pleas. Much to our regret no help was available from anyone, not even for us, the partisans, who so effectively managed to disorganize the military's hinterland.

As an example, my partisan unit operated in Southern Poland for a period of four-and-a-half months in an area that was only 160 miles away from the Soviet front line.

We kept on pleading for drops of ammunition and medicine for our wounded which we so badly needed, but our requests remained unanswered. We stood all alone, all alone, with no one willing or ready to help us.

So as we embark on the building of the Holocaust Museum, we will see to it, we will make sure and we will carefully document and record for posterity all these acts of bravery, courage and self-sacrifice. The myth that Jews offered little resistance must be debunked.

The young men and women who fought and sacrificed their lives in the honor of their people demand that this record should be straightened out once and for all.

They earned it and they deserve it!

(Applause.)

MR. TALISMAN: We owe a debt of gratitude to President Reagan and to some of his staff members who are here today who have worked tirelessly with us in our attempt to remember. There's one person in the room, Stuart Eisenstadt, who is here who worked with President Carter who, with his own hands, wrote the original enabling legislation to make all of this possible.

Thank you.

(Applause.)

MR. TALISMAN: Ladies and gentlemen, the voice you have heard throughout these events has been our dear friend and Council member, survivor, distinguished Cantor in the United States and Atlanta, Cantor Isaac Goodfriend.

He will now chant the El Male Rachamim after which Abraham Bayer, Vice-Chairman of the Board of Advisers of the Council will recite the Kaddish, the prayers for the dead, in which you should know that there is not death mentioned once, but only life.

I ask you all please to stand.

(Whereupon, Cantor Goodfriend chants the El Male Rachamim.)

(Whereupon, Mr. Bayer recites the Kaddish.)

MR. TALISMAN: Please be seated.

In this country in which so many survivors have found sanctuary and peace in a beloved democracy which has enveloped them, in 1981 in the middle of April on a bright crystalline morning at 7:00 o'clock, the gravesite of Sergeant James L. King was chosen and not one busload of 38 survivors came, but on their own nearly twenty busloads to say thank you to the widow of Sergeant King and to his family.

Today in front of the whole nation, we wish to say thanks in a more appropriate public way to all those who liberated from the the brave American Armies. There is nothing that we can say that would in any way enhance their own memories of those days. Therefore, Mr. Chairman, I ask to present himself to the podium General John A. Wickham, Jr., the Chief of Staff of the Army. I have the honor also of presenting to you General J. Lawton Collins, Retired, former Chief of Staff of the United States Army and Mr. Chairman, the further honor of presenting to you Lieutenant General William W. Quinn, Retired, who himself as a Commander in the field ordered these things to be known.

(Applause.)

GENERAL COLLINS: I would like to say one word with respect to a great Jewish soldier who was killed in action at Pattiburn in my Corps. The night he was killed he was the top commander of an armored division.

He fought with great distinction, not only as a soldier, but as a man and I'd like to pay tribute to him now. Maurice Rose, the son of a Rabbi, a great soldier, a great man.

Thank you.

(Applause.)

PROFESSOR WIESEL: I would like first to ask David and Susan Eisenhower to step forward and participate in the ceremony.

(Applause.)

Before I shall ask Mr. Strochlitz to present the candidates for their medal and for their honor, I would like to recognize in this hall the presence of very important and distinguished and respected personalities who have done so much for our work, the Chairman of the Foreign Relations Committee in the Senate, Senator Richard Lugar, Senator Ted Kennedy, Congressman Claude Pepper and so many others.

(Applause.)

And now, Mr. Strochlitz, would you like to present the first candidate for the medal?

MR. STROCHLITZ: Mr. Chairman, I have the honor of presenting to you the Chief of Staff of the United States Army, General John J. Wickham, Jr. for the Dwight D. Eisenhower Liberation Medal.

PROFESSOR WIESEL: General Wickham, could I see you closer?

General, the memory of the Holocaust is filled with sadness, fear and anguish, but it also contains gratitude. We have seen the indifference of the world. We have suffered from the abandonment of so many and therefore, we can appreciate so much deeper, in a deeper sense, what you and the men under your command have done for us.

I remember April 11, 1945 Buchenwald 20,000 people remained out of 80,000. I was young and I will never forget what I have seen then.

American soldiers, officers came in crying. I shall never forget a black sergeant who was crying like a child because he felt helpless, but he helped. The American Army helped and therefore, I would ask you humbly to share this gratitude with all the soldiers, all the officers, all the Commanders who, with their lives, have exemplified the moral philosophy of Dwight D. Eisenhower and accept therefore, this medal in their name as well as in your own.

(Applause.)

MR. STROCHLITZ: Mr. Chairman, I have the honor of presenting to you the Honorable Bob Dole, Majority Leader of the United States Senate.

(Applause.)

PROFESSOR WIESEL: Senator Dole, you have fought, you have fought gallantly in the war as you are fighting bravely today for peace.

There are very few statesmen in our nation, there are very few statesmen in the world who have your dedication, who have your uncompromising commitment to humanity, to freedom and to peace and you have helped us so much. We owe you so much, so we owe you also gratitude.

It is with deep gratitude and respect and friendship that I present to you this medal for your bravery, for your gallantry and for your humanity, Senator Dole.

(Applause.)

MR. TALISMAN: Mr. Chairman, it is a distinct pleasure and a high honor to present to you General J. Lawton Collins, Retired, former Chief of Staff of the United States Army.

(Applause.)

PROFESSOR WIESEL: General Collins, your words have moved us and your work and your fight have reaffirmed our faith in man.

You exemplify the best in the military tradition, toughness, resolve and resolution and at the same time, a profound sense of kindness and commitment to the memory of fallen comrades.

Were it not for the words that you had just said about a Jewish soldier who died in battle, for that alone you would deserve our affection, but for your fight, for your victory over evil, we also give you our gratitude and therefore, it is my honor to present to you the medal in the name of a very great soldier and humanist Dwight D. Eisenhower.

(Applause.)

MR. TALISMAN: Mr. Chairman, it is my honor to present to you Lieutenant General William W. Quinn, Retired.

PROFESSOR WIESEL: General Quinn, you liberated Dachau. What you have seen, very few people will ever see again. You were among the first free man to see the world of darkness and horor. You brought them solace, comfort, friendship, humanity. You gave them back an ability which they lacked for so many years, the ability to hope.

It is therefore for your valor, for your spirit as a commanding officer, for your bravery in battle and for your vision, the vision of the humanist in uniform, we do express our gratitude. We present to you, too, in the name of Dwight D. Eisenhower a medal and a citation.

We thank you very much.

(Applause.)

MR. LOWENBERG: Ladies and gentlemen, we are honored to have five members of the Israeli Knesset with us today and we bid you welcome.

Will you all please rise for the benediction and remain standing for the hymn.

REVEREND PAWLIKOWSKI: Lord God, once again we have remembered, remembered those Jews, Poles, Gypsies, gay persons and others who perished in the darkness of the Holocaust.

We have remembered because we care and only our continued caring for those who died then and for those who are threatened now can prevent that final triumph over the human spirit.

We know your love remains with us, but we likewise recognize that this covenant to love cannot overcome the forces of darkness by itself.

Give us the strength, Lord, to take up our necessary role to have the courage to bear witness as did the survivors and the righteous among the nations.

Be with us as we stand up to the scourge of terrorism in our time as we tell the world, Israel Chai, the people, the nation of Israel shall live, as we support the heroic Armenians and their continuing struggle for national identity, as we link arms with our brothers and sisters in Poland in their on-going battle for freedom and dignity.

As we pray in a special way for those newly endangered in the Ukraine, and as we say stop to the kind of prejudice we have seen directed against the Romani people and the kind of verbal violence that often surfaces against gay people.

And we fervently ask your protection for my servite colleague Father Martin Lawrence Jenkov and the remaining hostages in Lebanon as we renew our national pledge to work for their release.

Lord, give us the courage to care always. Otherwise, we shall allow Hitler ultimate victory.

Amen.

(Whereupon, the Partisans' Hymn was played by the U.S. Army Band.)

MR. LOWENBER: I would please ask the audience to remain in their seats until the participants have left the room.

Thank you all for being here today and helping us commemorate the Days of Remembrance.

Thank you, ladies and gentlemen.

(Whereupon, the Days of Remembrance ceremony was concluded.)

MUSEUM DEVELOPMENT

Senator McClure. Your fiscal year 1987 request of $2,057,000 is actually a $36,000 increase over your fiscal year 1986 sequestered level of $2,021,000.

Page 5 of your justification states that the museum development funding was reduced as a result of the $91,000 sequestration.

Specifically, what areas of museum development will or have been affected by the fiscal year 1986 sequestration?

Mr. Krieger. Mr. Chairman, the development of the automated international inventory network of Holocaust documentation prototype system has been postponed until fiscal year 1987. Further, the reason for the $36,000 increase is that OMB provides for economic indicator fluctuation. They also put back into the base for 1987 what had been proposed as a 5-percent pay reduction in 1986.

Senator McClure. Will the delay in the collection system only be a delay; will you be able to fund it?

Mr. Krieger. Well, we hope to be able to fund it in future fundings; yes, sir.

Senator McClure. Will that be in 1987?

Mr. Krieger. Well, I can't look at that right now. That will absolutely depend on the final appropriation hearings, sir, and how we stand also, with donated funds.

Senator McClure. Assuming the level of your requests were approved, would you be able to restore it in 1987?

Mr. Krieger. I believe so.

Senator McClure. Will the reductions that have occurred already impede your progress in any other way toward completion of the museum complex?

Mr. Krieger. No; the reductions will not delay the opening of the museum. The network will be a continuing service activity. The effect of the reductions will be the slowdown, the completion of the prototype system, which we have to do before looking at the entire system.

PERSONNEL COMPENSATION AND POSITIONS

Senator McClure. You are requesting $845,000 in personnel compensation this year. That is an $18,000 reduction from fiscal year 1986.

In your original request to OMB you added 6 positions for a total of 35 to your personnel requirements, but it appears that these were denied. For what positions were you seeking new personnel?

Mr. Krieger. The six FTE's were for the National Archives Documentation and Presentation Program, which was not funded for fiscal year 1987.

Senator McClure. So you won't need those personnel.

Mr. Krieger. Yes.

RENTAL RATE

Senator McClure. I noticed in your justification that you were able to achieve a savings of $38,000 in your rental expense this year.

How was that accomplished?

Mr. Krieger. We received a new appraisal rental rate from the General Services Administration, which reduced the commercial office rental rate for our space occupied at 2000 L Street, NW. We also reduced the size of our warehouse space after the fiscal year 1986 estimates were submitted.

NATIONAL ARCHIVES

Senator McClure. In fiscal year 1986, an additional $135,000 was provided for an emergency effort to preserve valuable archival documents that had been damaged by flood while in storage in Alexandria, VA. This was to be the first of a 3-year restoration process, in which these documents would be repaired and restored. This process, which was being undertaken in conjunction with the National Archives, was described as an emergency, yet you have not requested funding for the program in fiscal year 1987.

Was the 3-year program reduced to 1 year?

Mr. Krieger. No; the program was funded for only 1 year. We planned the project on the assumption that 2 further years would be funded. OMB denied the request for fiscal year 1987; however, I am led to understand, and I was not on duty at that time, that the House Appropriations Committee, on their own behest, is considering restoring some of the funds for that project for fiscal year 1987.

Senator McClure. Last year it was described as an emergency. If you don't have the money for this year, will those damaged materials be saved?

Mr. Krieger. The first 2 years of the project were to be devoted to locating and cataloging the Holocaust documents with a third year planned as the period of preservation of those documents discovered to be dangerously deteriorating. We would have to, then, accelerate and change the process to begin document preservation during the second year of the funding.

Senator McClure. Last year this was represented to us as a specific problem. Some documents were damaged in a flood in Alexandria and you had an emergency program for the restoration and protection of those documents.

Are you telling me now that that isn't true, that you didn't have such a situation, and that you are not devoting the money to that problem?

Mr. Krieger. Sir, we are, to the best of my ability to answer the question now, I believe, yes, we are relating to that particular problem. We also are relating to other deterioration of material.

Senator McClure. Of that same material?

Mr. Krieger. Of the same material or on other materials that had not been damaged by flood——

Senator McClure. I want to focus on that one for a moment, because I am trying to find out whether or not your evaluation of that problem is different now than it was last year. Last year you said you had an emergency. This year, you say, well, some 3 years from now, after we have done some evaluation, we will do something.

Now which is it?

Mr. Krieger. Well, sir, I really—with your permission, I am not really able to answer that question myself, and I would like permission to come back and answer that question at a later time.

Senator McClure. If you would, please, because I want to know whether you had an emergency last year, when you said you had one, and if you did have an emergency last year, what happened to it?

Mr. Krieger. I would like that answer myself.

Senator McClure. OK.

Mr. Krieger. I will be glad to have that answered for you in writing this week.

[The information follows:]

As we noted in our testimony before this committee last year, certain documents stored many years ago in the old Torpedo Factory in Alexandria suffered damage from water seepage. These documents are no longer in danger of immediate destruction. At the end of the 1960's all records were removed from the Torpedo Factory to secure storage areas.

The deteriorating is occurring in U.S. documents relating to the Second World War and the Holocaust in the National Archives facilities in Suitland, MD, and Washington, DC, some of which were removed from the Torpedo Factory. These records were created during the war and the immediate postwar period when the quality of paper was poor. U.S. war crimes prosecution teams made heavy use of these documents after the war. These factors and the natural aging process, are turning many of these records literally to dust. It is these records that we wish to catalog and preserve in cooperation with the National Archives.

It has been reported to my office by authorities that the deterioration process is proceeding at an increasing rate as time goes by. The National Archives is, of course, also concerned about this, but its priorities for preservation must encompass a range of records beyond those of the Holocaust or the World War II period. Consequently, if the Holocaust related records are to be preserved, it can only be done on the basis of a special interagency agreement such as Congress funded for fiscal year 1986.

There is no index within this complexity of materials; therefore, in order to preserve these records they must first be identified, located, and cataloged because documents relating to the Holocaust are interfiled in various military and civilian record groups. The preservation of the records and the creation of an indexed inventory to them are the goals of this project.

The first stage, locating and cataloging, has been started and is currently scheduled to continue through fiscal year 1986.

The Committee should also be aware that, as a result of the Gramm-Rudman-Hollings legislation, the $135,000 appropriation for fiscal year 1986 for the National Archives project was reduced to $129,000.

I have attached the projected fiscal year 1986 budget analysis as well as what had been our projection for fiscal year 1987. In summary, while an emergency does not currently appear to exist, the deterioration of the material does continue and if action is not taken, an emergency situation could, indeed would, develop.

National Archives project budget fiscal year 1986

Appropriated funds:	
Project supervisor USHMC	$37,000
Archivist USHMC (6 months @ GS–11, step 3 plus benefits)	15,500
Technician NARA (7 months @ GS–5, step 1 plus benefits)	7,700
Technician NARA (7 months @ GS–5, step 1 plus benefits)	7,700
Hamilton Reid Associates:	
Labor[1]	37,650
Local travel	500
PC/AT	10,150
Software package	5,000
IBM PC[2]	2,000
Software package	500
Hardware maintenance	1,000
Disposable supplies	500
Contingencies	3,800
Total	129,000

[1] Includes training of archivist in use of system in addition to system development and installation.

[2] To replace XT currently in USHMC computer room that will be used on-site at National Archives.

National Archives project fiscal year 1987 budget estimate

Appropriated funds:	
Project supervisor USHMC	$10,000
Archivist, USHMC	32,360
Archivist, USHMC	32,360
Technician, NARA	16,548
Technician, NARA	16,548
Hamilton Reid Associates[1]	20,000
Supplies: Preservation measures	7,184
Total	135,000

[1] Includes system maintenance and refinement.

HOLOCAUST MEMORIAL EDUCATION REVOLVING FUND

Senator McClure. Although it is not included in your justification, you are requesting authority to establish a Holocaust memorial education revolving fund within the Department of the Treasury. This account will be interest bearing and will be available to the Council "without fiscal year limitation for preparation, production, and publication of education materials and media on the Holocaust and related subjects for sale and distribution to the public."

What will funds that accrue in this fund be used for?

Mr. Krieger. The Council produces and disseminates informational and educational material and media on Holocaust subjects. Days of remembrance publications are one example. Another is a directory of Holocaust resource centers, institutions, and organizations in North America. A third and recent example is a film on the Riga ghetto.

Under present law, we can charge for these publications, but the proceeds of the sales must be deposited in the Treasury as miscellaneous receipts and are lost to the Council. Under our proposed amendment, revenues from the sale and rental of educational materials and media on the Holocaust would be deposited in the revolving fund and would be permanently appropriated to the Council to reduce additional requests for funds and produce additional copies for sales. This would expand dissemination of popular editions, give us the opportunity to revise existing materials and create new ones. Thus the fund is intended to enable the Council's production and sale of educational materials and media on the Holocaust to eventually become self-sustaining.

Senator McCLURE. Now are those materials that are sold and disseminated or rented produced out of appropriated funds or donated funds?

Mr. KRIEGER. Out of appropriated funds.

Senator McCLURE. And therefore, it is really a recycling of appropriated funds, is it not?

Mr. KRIEGER. Yes; it is.

Senator McCLURE. Has OMB approved this request?

Mr. KRIEGER. I do not believe—you know, I have just been here officially appointed over a few days, and after briefing——

Senator McCLURE. I understand you may have to go back and ask some questions.

Mr. KRIEGER. Well, after briefing by the staff, sir, I would tell you that I determined that there was a need for this and one other proposed amendment. These circumstances really did not permit me the time to submit the amendments to OMB.

Senator McCLURE. All right.

REPRESENTATIONAL FUND

You are also proposing, but have not included in your justification, to establish a representational expense account for use by the Council for miscellaneous expenses.

Specifically, what are these expenses?

Mr. KRIEGER. Increasingly, the Council has been hosting visiting national and international dignitaries in connection with days of remembrance and other Council events, engaging in international interchanges at home and abroad with foreign governments, officials, and private citizens—examples include the International Liberators Conference and the Faith in Humankind Conference—and establishing official relations with American and foreign museums and archives and foreign governments.

In these and similar instances, the Chairman, Executive Director or other staff would be authorized to pay the expenses of official meals and receptions, appropriate hospitality for such foreign and domestic officials and guests, as well as necessary and reasonable travel expenses, where they might exceed the standard per diem rate.

Under current statutory authority, expenses specific to the above examples, cannot be funded from appropriated funds.

Senator McCLURE. How much are you proposing to put in this account?

Mr. KRIEGER. $4,500.

Senator McCLURE. Would this be within available appropriations?

Mr. Krieger. Yes, sir; the funds would be reprogrammed under the program area of Council direction, under object class 25, other services.

Senator McClure. Why don't you set this up using the money you raised from private donations?

Mr. Krieger. Well, our current legislation provides that the donated funds which we receive, are to be used for the construction, maintenance, and operation of the museum only. The program requirements of the Council required representational activities beyond this scope, as I indicated by some of the above examples.

Senator McClure. Just a word of caution. It's a very small fund. I suspect the activities are all justified, but it is the kind of thing that occasionally causes you much more embarrassment than it is worth.

Mr. Krieger. Well, I agree. It is actually my intention—again, you know, to use this to start, and within the course of the end of the year to begin seeking private funds for it.

Senator McClure. Would you prefer an amendment to the statute that would allow you to raise and use donated funds for that purpose?

Mr. Krieger. Politically, I would be concerned until I am really into understanding some of the political situations and ramifications of donated funds coming in now, but I would appreciate the opportunity to come back with you and discuss that, sir.

Senator McClure. I don't want to quibble over $4,500, but sometimes we get 45 million dollars' worth of problems over $4,500.

Mr. Krieger. That's absolutely true.

NEW COUNCIL MEMBERS

Senator McClure. The Holocaust Memorial Council consists of 55 Presidentially appointed members, 5 members appointed by the Speaker of the House and 5 members appointed by the President of the Senate, for a total of 65 Council members. On January 15, 1986, 11 of the Presidential appointments expired—the Chairman, Vice Chairman, and the first initial 9 appointees by alphabet. Last Friday and Saturday, the Chairman was reappointed, a Vice Chairman was named from the Council membership and six members were confirmed by the President, leaving four positions open.

Who are the new Council members?

Mr. Krieger. The new members are Jack Abramoff of Washington, DC, Leonard Greenberg of West Hartford, CT, Sylvia Hasenfeld of New York City and Barrington, RI, Jerry Kelfer of San Antonio, TX, Rabbi Isaac Newman of Champaign, IL, Rabbi Seymour Siegal of New York City.

The Vice Chairman had been a member of the Council before, and his name is Bill Lowenberg of San Francisco, CA.

Senator McClure. When do you expect confirmation of the four remaining appointments?

Mr. Krieger. Very soon. Two of the four prospective members have not yet responded with all of the personal statements that would be required of them, sir.

FUNDRAISING CAMPAIGN

Senator McCLURE. You have launched a formal fundraising campaign within the past year headed by campaign steering committees in several cities throughout the United States.

How much have these committees raised so far?

Mr. KRIEGER. We have significant organized fundraising activities under these committees in 17 metropolitan areas, including Governor-sponsored events in Maine, Texas, Connecticut, Nebraska, Minnesota, and Maryland. Funds received or pledged by these committees alone, as of yesterday, totaled $23,662,684.56. Of this total, 20 percent or $4,758,579.68 has been received. The balance represents the outstanding balance of signed pledges owed. Planned fundraising activities for the next few months, throughout the end of November 1986, is anticipated raising an additional $20 million. As the campaign progresses, we will keep you advised.

Senator McCLURE. Secretary Hodel confirmed that sufficient funds were available for you to begin construction of the museum structure. Last year you testified, not you personally, but the Council testified that you would raise $30 to $35 million by October 1, 1985, which would be in excess of the estimated construction costs of the museum.

You have given me the results of the 17 individual community committees. What is the total amount of money you've actually received and how much has been pledged?

Mr. KRIEGER. As of yesterday, our total donated and pledged is $24,397,537.48. This represents contributions by 2,167 donors. The total amount paid is $4,897,282.60 or 20.15 percent.

Senator McCLURE. So you are some months and some dollars behind your goals established last year?

Mr. KRIEGER. Yes, sir, initially. I would like to submit for the record a listing of the proposed fundraising programs that we have scheduled and will be scheduling over the next months and the anticipated income from them.

Senator McCLURE. I would appreciate that. It will be made a part of the record when we receive it.

Mr. KRIEGER. Yes, sir; thank you.

[The information follows:]

PROJECTED INCOME

Steering Committees

1. **ATLANTA - $1 million**

   - o The recent appointment of Charles Ackerman, president of Ackerman & Co., as chairman of the Atlanta Metropolitan Area Steering Committee augurs well for the solicitation of corporate Atlanta. He, along with the National Campaign Director, and State Chairman Ed Elson, and other members of his executive/steering committee will be soliciting major donors ($50k and up) during the next five months.

   - o Governor Joe Frank Harris has indicated a readiness to host a statewide event.

2. **BALTIMORE - $1 million**

   - o The strong leadership of the Meyerhoffs has and continues to produce significant contributions from the State of Maryland.

3. **BOSTON & NEW ENGLAND - $500,000**

   - o This figure includes the solicitation of a selected number of Bostonians and other New Englanders.

   - o Not included in this figure are the potential contributions of the citizens of Vermont, whose Governor, Madeline Kunin, will host a statewide event in the fall.

4. **CHICAGO - $1 million**

   - o There will be four receptions hosted by steering committee members Joe Fink (6/11), Bert Braverman (7/22), Chuck & Seena Swibel (9/14), and a fall date by Council member Morris Liebman.

   - o Additionally, the large contribution of the Braver/Wagner families, coupled with their special reception should enable us to reach our goal.

   - o Governor James Thompson has agreed to host an event, the date as yet undetermined. It is expected the governor's dinner will raise a minimum of $1 million of new contributions. This amount is not included in the above figure.

5. **CLEVELAND - $1 million**

   - o It is anticipated that the steering committee contributions by November will reach $1 million.

6. **DALLAS - $500,000**

   - o The director of the Dallas Holocaust Center, Sue Kollinger, is coordinating the fundraising efforts between Dallas and Washington, D.C. The Dallas Chairman, Michael Jacobs, together with the National Campaign Director is soliciting major gifts from the Dallas community.

7. **DENVER - $1 million**

   - Robert Loup, national and local Federation leader, along with Governor Lamm's appointees, William Daniels and Myron Miller, will solicit the leadership for our Campaign during the months ahead.

8. **LOS ANGELES - $3 million**

   - Continued expansion of the steering committee by the National Campaign Director will take place in the months ahead.

   - A fall dinner/reception hosted by Gideon Barness should raise $500,000.

   - A major movie industry dinner with Council Chairman Elie Wiesel present, co-hosted by Norman Lear, Ted Field, Lew Wasserman and Jack Valenti will take place on 9/17. A minimum goal of $2 million has been established ($400,000 of that goal have already been pledged).

9. **MIAMI - $1 million**

   - The acceptance by Council member Norman Braman of the Chairmanship of the State of Florida Steering Committee should produce positive and significant results.

10. **MINNEAPOLIS - $2 million**

    - The Minneapolis effort has involved the corporate, labor and religious communities. One-quarter of a $2 million goal has been reached, with the balance to be pre-solicited by Governor Perpich's statewide dinner, tentatively set for September.

11. **NEW YORK - $1 million**

    - The solicitation of major donors by the National Campaign Director will highlight the Campaign efforts during the months ahead.

12. **NEW JERSEY - $1 million**

    - A special Lower Hudson Valley Campaign headed by business and political leaders in both New Jersey and New York counties should raise our goal.

13. **OMAHA - $500,000**

    - Continuing the initial reception held by Governor Kerrey, steering committee members will be solicited by the National Campaign Director.

14. **PHILADELPHIA - $1 million**

    - The appointment of Dalck Feith as a leading member of the Philadelphia Metropolitan Area Steering Committee, coupled with the active involvement of Chairman Harold Pote (Chairman of the Board of Fidelity Bank) should produce our goal.

15. **PHOENIX/TUCSON - $2 million**

- The formation of the Phoenix Metropolitan Area Steering Committee, coupled with the strong development of Governor Babbitt's statewide dinner on 11/23, will produce the desired goal ($300,000 have been raised from five individuals to date).

16. **ST. LOUIS - $1 million**

- The appointment of State Chairman Alfred Fleischer, head of Fleischer-Seeger Construction Co., together with the active support of Governor John Ashcroft augurs well for the realization of the goal.

17. **SAN FRANCISCO - $1 million**

- The solicitation of new steering committee members by Steering Committee Chairman William Lowenberg and the National Campaign Director should produce the dollar goal.

18. **WASHINGTON, D.C. - $500,000**

- Continued receptions/dinners by Washington, D.C. steering committee members during the months ahead will see added members.

Efforts will be made to establish steering committees in Detroit, Milwaukee, Kansas City, New Orleans, San Diego and Palm Springs during the latter part of 1986 and early 1987.

Excluded from the information above are current efforts to organize two national industry steering committees: 1) Jewelers of America and 2) Shopping Center Executives.

Statewide Events hosted by Governors

1. The $20 million mentioned above does not include the statewide events to be hosted by the following governors:

- George Deukmejian - California - $1 million - 3/87
- James Thompson - Illinois - $1 million - 12/86
- James Blanchard - Michigan - $1 million - 3/14/87
- Toney Anaya - New Mexico - $1 million - 1/11/87
- Mark Wells White - Texas - $1 million - 1/87
- Gerald Baliles - Virginia - $1 million - 2/87 (including steering committee development in Richmond.

2. Additionally, the following governors have agreed to dinners, with no dates selected at present:

- Richard Lamm - Colorado
- Robert Graham - Florida
- Joe Frank Harris - Georgia
- John Evans - Idaho
- James Orr - Indiana
- John Carlin - kansas
- Harry Hughes - Maryland
- John Ashcroft - Missouri
- Robert Kerrey - Nebraska
- George Sinner - North Dakota
- Anthony Earl - Wisconsin

3. Efforts are currently underway to meet with the governors of:

- Hawaii*
- Oklahoma
- South Carolina
- Tennessee
- Vermont*
- Washington*

* initial meetings have been arranged

Plans are now being formulated to establish a National Campaign Board and a special national grassroots campaign. More information on these developments will be forthcoming.

OTHER GOVERNMENT AGENCIES

Senator McClure. The Holocaust Council is somewhat unique because of its extensive reliance on other Government agencies for administrative support.

You look not only to the National Park Service but also to the Smithsonian Institution, the National Archives, the Library of Congress, and others, on both a reimbursable and nonreimbursable basis.

Have you gotten any indication from these agencies that, as a result of the Deficit Control Act and the financial restrictions that this will impose on their own resources, that their cooperation may be restricted in fiscal year 1987 or fiscal year 1988?

Mr. Krieger. The easiest answer to that would be to say no. But I would also like to comment that I believe we're very fortunate in that the services and assistance that we've received from the National Park Service and the Smithsonian, the National Archives, and Library of Congress is invaluable and we are greatly appreciative of the fact that they have not indicated to us that there will be a problem in continuing these services, even with Gramm-Rudman.

ADDITIONAL COMMITTEE QUESTIONS

Senator McClure. Thank you very much for your testimony. There are some additional questions that we request that you answer in writing for the record.

Mr. Krieger. I'll be glad to answer that, sir.

Senator McClure. Thank you very much.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Additional Committee Questions

Question. Your enabling legislation stipulated that construction of the museum was to commence within 5 years, by the end of 1985, and that your ability to fund the construction had to be confirmed by the Secretary of the Interior. Both stipulations have been met and you are now planning the internal structure of the museum. Chairman Wiesel has appointed a design concept development committee and they have prepared a comprehensive design concept report.

Now that the report is complete how will you utilize this with respect to your Interior exhibit design?

Answer. Three stages involved in the process: One, approval of the exhibit design; two, translation of the concept into design; and three, the conversion of the design into physicial exhibit entities.

First, the Council will review, possibly modify, and approve the exhibit design concept. We expect this to be accomplished at the next Council meeting, scheduled for June 9. Once the exhibit design concept is approved, the exhibit designers, who we expect to be appointed by then, will begin their work of converting the concepts to actual designs. Once the designs are approved, the work of exhibit fabrication will begin.

Question. Would you submit this report to the committee?

Answer. Yes; we have provided this report to the committee; however, I would note that it has not yet been reviewed or approved by the Council.

LIBERATORS CONFERENCE

Question. In 1981 the Council sponsored an International Liberators Conference; and in 1984, it sponsored faith in humankind: rescuers of the Jews during the Holocaust. You are planning another conference on the other victims of Nazi terrorism.

How will next year's conference differ from the conferences held in 1981 and 1984?

Answer. The International Liberators Conference explored the contribution of the allied forces, especially the U.S. Army, in the liberation of the Nazi concentration camps. The faith in humankind conference recalled the humane and selfless action of Christian communities and individuals in Europe in saving Jewish lives. The conference on the other victims will explore the genocidal impluse of the Nazi regime against the conquered peoples in Europe.

All of these conferences have been designed to collect and preserve eyewitness accounts and historical testimonies and to produce records of these such as our two prize winning documentaries, "To Bear Witness" and "The Courage to Care."

Question. How will this conference be financed?

Answer. Principally from appropriated funds as part of the definition of the museum archive and historic document acquisitions activity.

Question. A major focus of the museum will be to provide academic direction through the publication of books, audio visuals, and extensive research materials. You will, in effect, have a library devoted exclusively to the study of the Holocaust, as well as a memorial. One of your more technologically advanced resources will be a prototype international, automated archival system for locating Holocaust materials throughout the world.

How will this system work?

Answer. Cataloging data will be entered onto disks in a standard format at institutions participating in the network. The data will be sent to the Holocaust Museum archives in Washington for editing and entry into the main system.

Information on collections will then be available to the public in a number of forms; for example, hard copy, floppy disks, magnetic tape, or by direct entry into the data base via telephone or satellite by institutions and individuals with the appropriate equipment and clearance.

Given the number of institutions holding Holocaust material, and the volume of that material, the project will in essence continue for decades. The idea has been universally welcomed by institutions and individual scholars who recognize the need for a central source for this information.

Question. What is the actual cost of this system?

Answer. The cost of the system cannot be realistically estimated until the prototype test is completed and evaluated. The purpose of the prototype is to determine the operational feasibility and cost estimates for the total system.

Question. You are also developing a computer-assisted, interactive Holocaust encyclopedia.

How is this progressing and what is the cost?

Answer. We have completed a demonstration pilot program entitled "The Holocaust and Its Origins: The Case of Austria." This demonstration program cost $49,000.

This program has not yet been reviewed by the Council so there has been no decision to go forward with the automated encyclopedia at this time.

Consequently, this Council has not evaluated the scope of the project or its estimated costs.

TRAVEL

Question. You have had extensive travel requirements and expenses which were required in order to locate and retrieve artifacts relating to the Holocaust. Your justification shows a slight reduction in fiscal year 1987 from $86,000 in fiscal year 1986 to $85,000 in fiscal year 1987.

Are your retrieval efforts approaching completion or are you still receiving reports of documents and artifacts existing in Western Europe and Russia which will require travel?

Answer. Up until now, no retrieval of artifacts or documents has been made. In fiscal year 1984 and fiscal year 1985 research surveys and onsite visits were made to eight European countries and Israel for the purpose of eventual retrieval. As a result of these site visits, professional and personal working relationships were established with members of those institutions.

Retrieval of the materials from the various archives and their actual acquisition will begin December 1986 and not later than spring 1987.

SMITHSONIAN INSTITUTION

STATEMENT OF ROBERT McC. ADAMS, SECRETARY

ACCOMPANIED BY:

ANN R. LEVEN, TREASURER
DEAN ANDERSON, UNDER SECRETARY
MARY RODRIGUEZ, ACTING DIRECTOR, OFFICE OF PROGRAMMING AND BUDGET
JOHN JAMESON, ASSISTANT SECRETARY FOR ADMINISTRATION

PREPARED STATEMENT

Senator McCLURE. We will now turn to the fiscal year 1987 budget request for the Smithsonian Institution.

The fiscal year 1987 budget request for the Smithsonian Institution totals $215,240,000, an increase of $15,257,000 above fiscal year 1986 appropriations to date.

And the amount provided for the current year, $8,599,000, is sequestered.

Secretary Adams, we welcome you before this subcommittee. Your complete opening statement will be included in the record at this point. If you will introduce those at the table with you, we'll then proceed to questions.

[The statement follows:]

STATEMENT OF ROBERT McC. ADAMS

When I appeared for the first time before the Subcommittee a year ago I spoke of the strengths of the Smithsonian in defense of a budget request for Fiscal Year 1986 that, although nearly $13 million above the FY 1985 level, was nonetheless carefully honed and deliberately focused. Designed to build on our strengths, the request embodied three important objectives of the priority of institutional commitments: effective program operations; staffing and operation of two major new entities, the Museum Support Center and the Quadrangle; and improved research support.

Today I would share with you not only the Institution's aspirations for our FY 1987 request, but also the crucial importance of a regular appropriation. I do so in an atmosphere of extraordinary budgetary change and uncertainty, the implications of which are, no doubt, as disquieting to you as they are to me and my colleagues. Unchanged, however, are our objectives, which not only were unmet by the FY 1986 process, but were substantially diminished by it; a brief review of that process is illuminating.

A separate document submitted to the Subcommittee describes the details and the effects of the required Gramm-Rudman-Hollings reductions in FY 1986 across the five Smithsonian appropriation accounts, as well as some forty line items in the Salaries and Expenses Account. It is sufficient here to state that those reductions were the latest in a series of retrenchments that included the 0.6 percent base reduction in the Continuing Resolution and earlier reductions by the Subcommittee and its House counterpart. The net effect has been that as of March 1, 1986 the Smithsonian had sustained reductions totaling more than $20,000,000 from the request that had gone to Congress slightly more than a year earlier.

In the Salaries and Expenses Account for Fiscal Year 1986 the reductions exceed $16,000,000, leaving an amount that is just over $5,000,000 more than was provided for Fiscal Year 1985. Certainly we are grateful for it, but would note that it is about $1,700,000 less than we had requested solely for uncontrollable increases such as legislated pay increases, utility costs, and the like.

The prospects for further cuts can only be viewed as chilling, for that would be their effect on the lifeblood of the Smithsonian. Automatic, mindless, across-the-board reductions for Fiscal Year 1987 in the range of 8.4%, as the Congressional Budget Office recently has suggested, against our already tattered FY 1986 base, would eliminate another $16,000,000.

We have not yet explored the details of a 1987 reduction, but we remain dedicated to the principle that the Institution must preserve its core functions for research and for the care and conservation of the national collections and the structures that house them. At the same time, we also have important responsibilities for broad public and outreach services. It is likely that we would have to reduce hours of operation, perhaps to the point of closing museums one or two days a week; possibly eliminate whole programs; and generally furlough or otherwise reduce our staff. While staff costs constitute approximately 65 percent of our current budget and may seem an easy target, it is important to remember that the collections are of little value to the Nation unless they are housed, cared for, conserved, studied, documented, managed, exhibited, interpreted, and guarded by the people who are the Institution's most important resource.

A century and a half ago, on July 1, 1836, the Nation pledged its faith to the execution of the will of James Smithson for "...the purpose of founding and endowing at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge among men..." In a report that accompanied the legislation - and probably was written by John Quincy Adams - the House Committee stated that in accepting Mr. Smithson's bequest the Congress would

> "...feel in all its power and plenitude the obligation of responding to the confidence reposed by him, with all the fidelity, disinterestedness and perseverance of exertion which may carry into effective execution the noble purpose..."

Mr. Chairman, that noble vision and the faith of the Nation have created and sustained a great Institution, but it is an Institution in need of sesquicentennial plenitude if it is to endure and continue to fulfill its noble purpose. I urge that the option of appropriating our budget request for Fiscal Year 1987 be pursued vigorously.

We recognize that in the present environment the Smithsonian request is anomalous. Its approval would, in effect, entail reappropriating the Fiscal Year 1986 Gramm-Rudman-Hollings reductions and provide a modest increase. This increased funding would be mainly for inflation-related items, Museum Support Center and Quadrangle operations, commemorative events of a national nature, and research support, the same objectives and commitments we had a year ago. Although the total request is nearly $24 million above the current FY 1986 base, it is less than $4,000,000 -- only 1-1/2 percent -- above our original FY 1986 request to Congress.

Mr. Chairman, I need not deal at length with the burden of concern over national deficits under which we are all laboring, but would remind you that we exist solely for the "increase and diffusion of knowledge." Our principal focus is on the assembling, studying, and exhibiting of systematic national collections in many fields, and in any case on basic research whose contributions to the advancement of knowledge and human welfare take place over the long term and are in many cases unpredictable. To some, cutbacks or postponements in these activities might well seem simple. Given the relatively small magnitudes that are involved, some might even hope they would be unnoticeable.

I can assure you that they are neither simple or unnoticeable. It is impossible to make responsible and coherent plans to meet our fundamental purposes when we are faced with potentially significant but undefined reductions in the overall level of our operations. Nor is knowledge a commodity that can be turned on and off with a tap. It withers when its acquisition is interrupted -- through inversions of research priorities, the dispersal of teams of investigators, the deterioration of collections, and the non-circulation and wider use of information about them. As my colleague Daniel Boorstin stated just a few months ago, "Any willful cut in our resources of knowledge is an act of self-destruction."

In addition, I share the concern expressed by Frank Press in the March 21, 1986 issue of Science where he wrote:

> "the scientific community, rather than think that the budgetary crisis was short-lived, must operate on the assumption that it will endure for years, perhaps to the end of the century. I think we must assume in our planning that past real growths in basic research budgets are now history and that future growth is likely to be almost flat or, in some areas, negative."

[illegible] to the Smithsonian, with uncontrollable increases in its costs as a result of new facilities coming on-line, rising utilities bills, and the like, negative growth would clearly be our lot if Press' projection is at all accurate.

Mr. Chairman, our FY 1987 budget has been carefully crafted and, we believe, is fully justified. Nevertheless, if the Smithsonian cannot be excluded from the process of scaling-back activities, I invite your consideration of an alternative way of managing the Smithsonian budget in the event of further Gramm-Rudman-Hollings-mandated reductions.

As you know, we have for many years presented our operating budget to you by line item, with each museum or other program described in substantial detail. This procedure has served us both well, and I have the impression that today it leaves you virtually as familiar as we are with the scope and range of our activities. The presentation of the FY 1987 budget follows this format.

Potentially, however, there is a grave disadvantage to this procedure because of the inflexibilities placed upon me as a manager by the Gramm-Rudman-Hollings requirement that uniform percentage cuts be taken at the program-project-activity level. To be sure, the legislation allows for reprogramming with this Subcommittee and the equivalent body in the House. But my basic point is that we will need to act quickly, decisively, and perhaps, even courageously to comprehensively re-configure the Smithsonian's program at a significantly reduced scale. I do not see how this difficult and time-critical excercise can be imaginatively and efficiently carried out in a process of negotiation that must proceed independently from each of the forty or so separate line items in our present budget and with both Houses of Congress.

As you report on our budget, may I suggest that you consider making provision for aggregating a number of line items in order to increase the flexibility that we will need to accommodate a second round of Gramm-Rudman cuts? One possible framework might be the seven functional categories, which correspond reasonably well to the internal organization scheme that the Smithsonian is putting into place: Museums, Research, Public Service, Directorate of International Activities, Special Programs, Administration, and Facilities Services.

Another possibility would involve even a higher level of aggregation: the appropriation of the entire Salaries and Expenses account as a lump sum. From your viewpoint this may seem excessively risky, perhaps even an abdication of the responsibilities of Congressional oversight. However, I think this potential drawback might be overcome with appropriate arrangements for timely interim reporting, and, of course, with a final accounting for your review at the following budgetary hearing. But in any case, the choice of the specific mode of aggregation rests with your Subcommittee. Needless to say, my staff is prepared to work with you closely in developing a strategy along these lines in anticipation of the FY 1987 appropriation.

FY 1987 Budget Request

The FY 1987 budget request before you, developed with the full participation of bureau and program directors throughout the Institution, represents the funding required to move ahead with our most important programs and initiatives. It includes $190.1 million for Salaries and Expenses, $12.8 million for Restoration & Renovation of Buildings, $4.9 million for Zoo construction, $4.0 million for Quadrangle construction, and $3.5 million for construction of a laboratory and conference center at the Smithsonian Tropical Research Institute in Panama. No funding is requested for the Special Foreign Currency Program for FY 1987.

Quadrangle

Our FY 1987 budget request provides critical funding for completing construction and developing programs for the Quadrangle complex. The final increment of funding for Quadrangle construction will provide for the construction of the public and staff facilities that will connect the Quadrangle building and the Freer Gallery of Art, as well as additional funding for equipment, construction management, and contingency costs. The Institution expects to take beneficial occupancy of the third level next month and the staff areas of the upper two floors about a month later. Work on exhibition space and the garden will continue into late summer.

In the Salaries and Expenses request, increases totaling $4.2 million are sought to provide the staffing and program support essential to meet the scheduled public opening of the Quadrangle complex in mid-1987 and full operation of the facilities, including annualization of partial year funding of positions approved in the FY 1986 budget for Quadrangle support. Of the total increase, a sum of $934,000 is requested for the Sackler Gallery; $638,000 for the National Museum of African Art; and $ 2.0 million for security, building management, administration, facility maintenance and operating support. A further amount of $632,000 is requested for Quadrangle-related programs and support for the International Center, SI Libraries, Office of Exhibits Central, Traveling Exhibition Service, and Office of Public Affairs. If approved, the total federal operating budget for activities in the Quadrangle will be $11.6 million in FY 1987. Trust funded activities will amount to about $25.5 million.

Our plans for the public opening of the museums and programs in the Quadrangle complex call for a series of events and activities during May and

June of 1987. There will be major inaugural exhibitions at the Sackler Gallery, the National Museum of African Art, and the International Center, along with a wide range of public events and other activities to mark the occasion, including three lectures series to coincide with the opening of the Sackler Gallery, the National Museum of African Art, and the International Center. At the Sackler Gallery, the collection of objects donated by Dr. Arthur M. Sackler will be displayed, with other major objects from his private collection on loan. The National Museum of African Art will present three important exhibitions: "African Art and the Cycle of Life," "African Textiles," and "African Art from the Permanent Collection." In the International Gallery, the exhibition "Generations: Birth Rituals and the Roots of Becoming" will provide a multi-disciplinary, multi-cultural investigation of the art and rituals associated with birth from ancient times to the present.

Research

The Smithsonian, by virtue of its staff, collections, data bases, and research facilities, is an unique international resource in basic research. Complementing industrial, Federal, and university research, the Smithsonian's long-term research activities provide critical continuity to the Nation's research efforts in a number of disciplines. Expanded support for research has been identified as a major priority for the Institution over the next several years. In the FY 1987 budget, an increase of $1.0 million is requested to augment the Smithsonian's current research capabilities in tropical biology, astrophysics, and art. An amount of $330,000 is requested for the National Museum of Natural History to study biological diversity in the arc surrounding the Amazon Basin. The Smithsonian Astrophysical Observatory requests $150,000 to initiate instrument development in the new field of submillimeter astronomy in order to maintain SAO's pioneering leadership in astrophysical research during the 1990s. A requested increase of $345,000 for the Smithsonian Tropical Research Institute will permit the expansion of its ongoing research in tropical forest biology. Increases totaling $175,000 are requested for the National Museum of American Art, the Hirshhorn Museum and Sculpture Garden, the Archives of American Art, and the Cooper-Hewitt Museum to reinforce the research programs related to their collections.

The FY 1987 budget also provides for the upgrading of research facilities. A sum of $3.5 million in construction funding is requested to build a laboratory and conference center at the Smithsonian Tropical Research Institute in Panama; an additional amount of $4.0 million has been provided by a donation from the family of the late Earl S. Tupper. In addition, the Restoration and Renovation of Buildings request for FY 1987 includes funding for important support facilities at STRI. The Zoo Construction request provides funding for the renovation of the old hospital and research building at Rock Creek.

At the same time, the Institution will review its current research programs to insure that its base funding for research is dedicated to its highest priority research efforts. In this regard, the Smithsonian will close the Smithsonian Environmental Research Center's (SERC) Rockville, Maryland, site on November 22, 1986, following a series of internal and external reviews aimed at assessing the scientific direction of this program and the financial ability of the Institution to support these activities in a time of budgetary uncertainties. The closure of SERC (Rockville) will allow the Institution, once the necessary expenses of closedown have been met, to redirect the available resources (approximately $2.4 million) to existing high priority research activities and newly emerging lines of investigations in the natural sciences occurring elsewhere in the Institution. Selected activities formerly carried out at SERC (Rockville), including collection of solar monitoring data, aspects of plant physiology,, and a carbon-dating laboratory, will continue under new organizational arrangements.

The Smithsonian's Special Foreign Currency Program supports research conducted by United States institutions in excess currency countries. No further funding has been requested in FY 1987; funding provided in FY 1986 will be used to continue the program of grants to United States universities, museums, and other institutions of higher learning, primarily for research and advanced professional training in fields of traditional Smithsonian competence. Since the inception of the program in FY 1966, Special Foreign Currency grants have been made to 247 United States institutions to support more than 850 individual projects. Publications resulting from program grants total more than 1,450 to date.

Bicentennial of the Constitution

The year 1987 will mark a very significant milestone in the history of the United States -- the 200th anniversary of the signing of the U.S. Constitution. In order to observe this occasion appropriately and to commemorate not only the events of 1787 but also the events that have shaped the United States during the past 200 years, several Smithsonian museums and programs will present special exhibitions and public programs during 1987 and 1988. The National Museum of American History will mount a special exhibition, "The Japanese American Experience in World War II," as the centerpiece of an exposition on the Constitution as a living and unfolding document. The National Portrait Gallery will develop an exhibition on "Portraits of Distinguished Jurists," featuring a selection of the most historically enlightening portraits of individuals who have been pivotal interpreters and shapers of our legal institutions. The Office of Smithsonian Symposia and Seminars will sponsor a symposium on "Constitutional Roots, Rights and Responsibilities," in May 1987; and the Office of Elementary and Secondary Education will support a three-part program to highlight the meaning of the 200th anniversary of the U.S. Constitution and the Bill of Rights for elementary and high school students. An increase of $376,000 is requested in FY 1987 for these exhibitions and public programs.

Columbus Quincentenary

Another significant international anniversary will be commemorated just a few short years from now -- the 500th anniversary of the landing of Christopher Columbus in the Americas. The Columbus Quincentenary will be a catalyst for the discussion, investigation, and reintepretation of the cultural interactions that have occured in the Western Hemisphere between Native Americans and Europeans from 1492 to the present. The Quincentenary celebration will offer an opportunity to encourage public and scholarly consideration of the significance of Columbus' voyage and to promote better understanding of the Americas as a geographical entity with shared historical roots and concern for future life in this hemisphere.

The Smithsonian will undertake a wide range of programs, exhibitions, and research projects related to the Columbus Quincentenary that synthesize disciplinary perspectives through the reexamination of the history and development of the "New World." The development of these Quincentenary programs will be coordinated throughout the Institution and will be presented in accordance with an Institutional theme entitled, "Quincentenary: The Americas 1492-1992--Exploration of the Past - Encounter with the Present - Discovery of the Future." For FY 1987, initial funding of $245,000 for the planning and research of these programs is requested.

MSC Equipping & Move

The Museum Support Center, located in Suitland, Maryland, provides the Smithsonian with a state-of-the-art facility for the storage, conservation, and study of museum collections. The move of Smithsonian collections to the MSC, a move unprecedented in the museum community in terms of volume, characteristics, and variety of collections, is scheduled to continue through fiscal year 1991. As a result of the reevaluation undertaken last year to solve the problems that developed with the initial design for the collections storage equipment, the installation of equipment in the storage pods will continue in FY 1987 with the construction of new concrete decks and the purchase of premanufactured storage cabinets. A total of $4.6 million, an increase of $1.3 million over the FY 1986 base, is required to continue the purchase and installation of collections storage equipment for the Museum Support Center. In addition, funding of $712,000 (an increase of $150,000 over the FY 1986 base) will be needed in FY 1987 to continue preparation and transfer of the collections to the MSC.

Uncontrollable Costs

An amount of $4.5 million is required for the increased costs of current staff, utilities, postage, communications, and space rental in FY 1987. In addition, a sum of $1.6 million is requested to compensate for the effects of inflation in other nonsalary areas of expense.

Zoo Construction

For FY 1987, funding of $4.9 million is requested for construction and improvements at the National Zoological Park. The Zoo's facilities include 163 acres in the Rock Creek Valley of Washington, D.C. and a 3,150-acre Conservation and Research Center located in Front Royal, Virginia. The FY 1987 Zoo Construction request will support the renovation of the old hospital and research building at Rock Creek into a modern research facility ($2.5 million); the second phase of the renovation and improvement of Olmsted Walk ($600,000); and renovation, repairs, and improvements at Rock Creek ($1.4 million) and at the Conservation and Research Center ($351,000).

Restoration and Renovation of Buildings

For FY 1987, funding of $12.8 million is requested to continue the Institution's important long-term program to maintain, upgrade, and renovate its museum, research, and support facilities. The R&R request for FY 1987 reflects efforts to plan the orderly completion of a number of major initiatives begun in previous years to improve the condition of existing facilities and to provide creative solutions to future facilities' requirements. In addition, funds sought in this budget will continue a wide range of ongoing essential repair and improvement projects.

The R&R funding requested for FY 1987 includes $2.9 million for repairs to building facades, roofs, and terraces; $1.2 million for fire detection and suppression systems; and $1.9 million for repair and improvements to utility systems. Other projects, totalling $5.7 million, have been proposed as facilities improvements in support of programmatic objectives, the most notable of which include major renovation at the Freer Gallery of Art and construction of facilities in support of research at the Smithsonian Tropical Research Institute in Panama and the Whipple Observatory in Arizona. Finally, an amount of $1.1 million is requested for general repairs and for improvements in safety and security of collections, staff, and the public; correction of hazardous conditions; and access for the disabled.

Future Planning

Mr. Chairman, as you will understand, long-range planning in times such as these is difficult at best. Our guidance from the Office of Management and Budget suggests that we can anticipate funding for future years only in terms of increases for inflation. We have, as you know, a number of construction projects in mind, virtually all of which have been deferred while we study the effects on delay or explore various alternative sources of funding.

Within whatever resources are available, we would hope to reinforce areas of traditional Smithsonian expertise such as systematics, tropical biology, and American cultural history, while also trying to develop means for sharing the richness of the Institution more widely here and abroad. We welcome the counsel and the support of the Subcommittee as we engage in these efforts and guide the institution in these extraordinary times.

INTRODUCTION OF ASSOCIATES

Mr. **Adams**. Thank you, sir. I'm sorry. I didn't understand the——

Senator **McClure**. Do you want to introduce those who are with you, and then we'll go to the questions?

Mr. **Adams**. Yes; at the lefthand end of the table is the Treasurer of the Smithsonian, Ann R. Leven; Dean Anderson, the Under Secretary, is on my immediate left; Mary Rodriguez, the Acting Director of the Office of Programming and Budget, is on my right; and John Jameson, the Assistant Secretary for Administration, is at the far end on my right.

Senator **McClure**. Thank you.

QUADRANGLE CONSTRUCTION

The budget requests $4 million for the final phase of construction of the quadrangle. It is proposed, however, that this amount not be matched on an equal basis with trust funds. Only $2,630,000 of trust funds would be used.

The specific language of the authorization bill does not require an equal match, but states that trust funds, when combined with the funds so appropriated, is sufficient to carry out the purposes of this act.

Last year, in an attempt to recoup the $8 million which was rescinded from the quadrangle budget, the Smithsonian decided to request funds for security installation, furnishings, and moving costs in the "Construction" account.

Amounts so added to the construction costs were to be matched by an equal amount of non-Federal funds. This year, those costs are not proposed to be matched. And while contained in the construction costs are identified as salary and expense items.

What's the basis for not following through with our earlier understanding on cost sharing?

Mr. **Adams**. Mr. Chairman, the answer is a complicated one and I'd like to divide it into several parts. Part of it has to do with the total of available funds that we now have secured on the private side of this effort.

Part of it has to do with the technicalities of what we feel might be done about the shortfall on the private side.

The situation arises from the nonpayment of one very substantial pledge from the Saudi Government. The pledge made initially was in the amount of $5 million. We have received $1 million of that amount. And whether we will be able to retain that $1 million is a matter that's still very much in question.

This has to do with an agreement which was reached between the Smithsonian under my predecessor and the Saudi Government. And it's my judgment and the judgment of Regents at the Smithsonian that we cannot implement that agreement.

And the Saudi disinclination to pay the balance, and perhaps to request back—the inclination to request the return of the first million—is tied to the unwillingness of the Smithsonian to proceed with that agreement.

That's the general situation in which we find ourselves. There's a further judgment involved here that, with the construction so far along and with the termination of the major fundraising effort having occurred well back into the past, that it's very difficult to pick up and resume an effort on the private side, to secure that $5 million from some other source.

This is the general background within which we find ourselves facing a shortfall on the private side of what was indeed to have been a matching effort.

EQUIPMENT AND FURNISHING NEEDS

I'd like to ask Mr. Jameson to pick up the story there with the various alternatives with which we feel we are confronted, and that, therefore, are properly the business of this committee.

Mr. JAMESON. Mr. Chairman, we're now working with a revised and lower total amount of about $73.2 million which includes furnishings. This is down from the $75 million that we testified before you last year.

Of that total, we have at present $33.3 million of appropriated moneys and are seeking the remaining $4 million in 1987 appropriations.

Our best estimate is that we will have approximately $35.9 million of raised moneys, which will create an imbalance situation to the tune of approximately $1.4 million.

We are getting and have gotten favorable estimates, however, on our equippings and furnishings account; with a few more weeks passage of time, it is possible that those numbers will in total come down a bit more which would reduce the imbalance.

It is too early to promise that. We have yet to finish the building and to fully equip it. And of course yet to cope with any possible claims that may arise. We'll certainly come back quickly and tell you if we're coming down.

I would note that one possible suggestion which I think will not meet entirely with your favor, but let me put it on the record at this point. If we had contracted for construction that had been as costly as the Government estimate, it's certainly very likely that we would have been unable to afford very many furnishings and equipment within the "Construction" account.

That would have required us to put a very substantial amount of money into our S&E budget, perhaps as much as $6 million. We did not have to do that.

One possibility is that we could ask you to reduce the 1987 construction appropriation by $1.4 million, and provide that to us in the 1987 S&E budget.

We then in turn would further adjust our obligation plan this year and make sure that in both 1986 and 1987, we had enough trust funds to fully match appropriations.

Of course, it would mean that there would be $1.4 million in the 1987 S&E budget, which would be unmatched. But at least it would be slightly out of the context of the construction appropriation. And that, in a political, if not financial, sense might be a little easier to cope with.

But that is our present best estimate of the situation we find ourselves in.

Senator McCLURE. I understand that situation. My concern, however, is that the representation was made to us last year and you're not following through on that representation. And that by itself is troubling enough, except you continue to make representations to us about other items which we would like to take at more than just face value as well.

If you change your mind on one item this year, how do we have any confidence you won't just change your mind on another item next year?

Mr. JAMESON. Well, we try not to do that, Mr. Chairman.

Senator McCLURE. Well, I try not to have you do it, too.

Mr. JAMESON. If this pledge had been fulfilled, we would of course have been well ahead of the game, because we have earned a significant amount of money on the trust funds.

Senator McCLURE. Well, I understand that. But, are we in every instance in which a pledge fails going to find you shifting funds like this to try to get back to appropriated funds?

Mr. JAMESON. Absolutely not.

Senator McCLURE. I notice, in this year, the authorization bill for the Cooper-Hewitt Museum is introduced, contained identical language on cost sharing as the quadrangle authorization. And a letter to Senator Mathias dated July 23, 1985, the Smithsonian stated that the bill would require, quote, "an equal amount" to be available from non-Federal sources.

If that is your interpretation of the Cooper-Hewitt bill, why doesn't that interpretation apply to the quadrangle construction?

You have in the past, when you had shortfalls, you used unrestricted trust funds to come up with the total request.

Mr. JAMESON. Mr. Chairman, we try very hard to live up to our commitment and our responsibilities. And I think, over the long term, we have about a pretty good track record on that.

I think we feel very badly about this situation with the quadrangle.

Senator McCLURE. Well why don't you use unrestricted trust funds in this instance?

Mr. JAMESON. In my view, Mr. Chairman, they are not available.

Senator McCLURE. What do you mean, they're not available? You don't have them?

QUADRANGLE FUNDRAISING

Mr. JAMESON. We don't have them, yes, sir. We are quite heavily committed to a plan of work and I don't know where we would find $1.4 million in the unrestricted trust fund budget.

Senator McCLURE. What will happen with respect to the Cooper-Hewitt next year if they run across a shortfall in pledges?

Mr. ANDERSON. If I might, Mr. Chairman, I think, in most instances, a pledge is a legally enforcible promise to pay. In this instance, of course, when you're dealing with a foreign government, matters of that sort are subject to a different sort of interpretation.

Senator McClure. Should we then go through your list of unrestricted trust fund pledges and try to determine which are legal obligations and how much we can depend on them?

Mr. Anderson. We have done that, sir.

Senator McClure. You haven't done it for us.

Let me just ask that question then. How many of your pledges now on the books are legally enforcible obligations?

Mr. Anderson. They have all been paid.

Senator McClure. They have all been paid? You have no outstanding pledges at all?

Mr. Anderson. The last large one came in in a check for $3 million earlier this week.

Senator McClure. That's just for the quadrangle, or is this for all of your operations?

Mr. Anderson. Oh, I'm speaking of the quadrangle.

Senator McClure. I'm speaking of all of your operations.

Mr. Anderson. I don't know the answer to that. Perhaps our Treasurer does.

Ms. Leven. At the present time, we have legally binding agreements from all granting agencies. These are audited on an annual basis. We checked every one when we finished the 1985 audit. We will do so again for 1986. There are none that have been determined to be uncollectible, as long as we fulfill the prescribed obligations.

Senator McClure. Is that true of all pledges——

Ms. Leven. Yes, sir.

Senator McClure [continuing]. To the unrestricted trust fund?

Ms. Leven. Yes, sir.

Senator McClure. Is there a sufficient amount of money available for the equal amount to be paid for the Cooper-Hewitt Museum?

Mr. Adams. The Cooper-Hewitt Museum at this point has no Federal authorization. At this point, we're engaged in the early stages of a fund-raising drive. Most of the contacts that have been made have been very preliminary contacts with potential donors.

And, really, we're only getting underway in an effort there that will extend over a period of years, so that it would be premature to talk about assessing which pledges were firm and which ones were not.

This is not a case where there's any expectation of the payment of Federal funds until the private funds are actually in hand. That's some years down the road, I might say.

QUADRANGLE OPERATING COSTS

Senator McClure. During hearings on the fiscal year 1984 budget, representatives of the Smithsonian stated that, when the quandrangle was fully operational, total operating expenses were anticipated to be $27 million annually, and that the Federal share of these expenses would be 40 percent.

The total quandrangle budget for fiscal year 1987 is $37.1 million, an increase of almost 40 percent over earlier estimates. And the building hasn't even opened yet.

What's the basis for these cost increases, particularly in view of the fact that inflation is less than one-half the rate existing when the projections were made and fuel costs have also declined dramatically?

Mr. ANDERSON. I think, even though I don't have those numbers in front of me, Mr. Chairman, that the grand total of $37 million includes the normal budgets of the component parts of the Institution which are to become tenants in the quadrangle, including our National Associates Program.

Senator MCCLURE. It's true, but——

Mr. ANDERSON. As their experience——

Senator MCCLURE. But wasn't that true of the $27 million estimate?

Mr. ANDERSON. Yes, sir.

Senator MCCLURE. So that's not changed?

Mr. ANDERSON. No; but the success of the program, if I may term it that way, has continued unabated and, therefore, the budget of that program has gone up considerably in excess of inflation.

Senator MCCLURE. Well, now I'm not sure that I understand. The success of the program means you're going to spend more money?

Mr. ANDERSON. Yes, sir; at the same time as taking more in. It is a self-supporting program.

Senator MCCLURE. Is it just when you speak of success of the program, you mean more participation?

Mr. ANDERSON. Yes, sir.

Senator MCCLURE. More involvement by more people and more groups?

Mr. ANDERSON. Yes, sir, and advertisers.

Senator MCCLURE. That would, I would assume, that if it is driven by the success of the program which generates receipts, that the Federal share doesn't increase proportionately.

The Federal share of the operating expenses which were estimated to be 40 percent at $27 million would remain the 40 percent of the $27 million and not 40 percent of the $37 million?

Mr. ANDERSON. I think that's a safe assumption, setting aside matters of inflation and rates of pay.

Senator MCCLURE. All right. But, inflation, rates of pay and fuel costs are less than they were during the period of time you made the estimate, in spite of the fact that the 40 percent of the $27 million, or $10.8 million, your request is for $11.6 million, up about $1 million, or up about 10 percent over what the estimates were 1 year ago.

Mr. ANDERSON. Yes, sir.

Senator MCCLURE. Is that correct?

What is the justification for the increase?

Mr. ANDERSON. The detail of those figures is not before me, sir.

Senator MCCLURE. Could you provide it for the record?

Mr. Anderson. Be happy to.

Senator McClure. All right. Thank you.

[The information follows:]

CHANGE IN ESTIMATES FOR QUADRANGLE OPERATING COSTS

The summary of projected operating costs for the quadrangle is provided in a table included in the Institution's 5-year prospectus. The first quadrangle table (contained in the 5-year prospectus, fiscal year 1984-88, issued in January 1983) was based on a review of quadrangle program and operating plans conducted in the spring of 1982 and projected that quadrangle operating costs would total $28.1 million in fiscal year 1987 (approximately $10.1 million in Federal funding and $18 million in trust funding). In the most recent 5-year prospectus for fiscal year 1987-91 (issued in March 1986), a revised table shows the estimated fiscal year 1987 operating costs for the quadrangle at $37.1 million (consisting of $11.6 million in Federal funds and $25.5 million in trust funds).

The estimates contained in the two tables are not completely comparable, due to changes in how data for quadrangle resources have been presented. For example, in the January 1983 table, only the program increases for the International Center and the Traveling Exhibition Service are included; whereas, the March 1986 table includes all of the base funding for the Directorate of International Activities and SITES. A further change on the trust fund side results from the inclusion (in the March 1986 table) of the funding to purchase the Vever collection for the Sackler Gallery. In addition to the adjustments made because of the change in presentation of the quadrangle resources table during the past 3 years, the projections of the specific funding requirements for both quadrangle program operations and support services have been revised to reflect the refinement of the Institution's program planning process for the quadrangle, especially for the Sackler Gallery and the National Museum of African Art, since the initial review conducted in the spring of 1982.

The program planning for these two bureaus has evolved during the past few years, as the early conceptual design for the facilities of the two museums was transformed into detailed program blueprints. In addition, as the planning progressed, the new position of assistant director for the Sackler Gallery was established and a new director for the National Museum of African Art was hired, resulting in the reevaluation of current programs and the development of new program directions in the two bureaus. This process has been especially evident in the Sackler because it must establish the entire range of base programs for the new museum.

As a result of these two factors, the current quadrangle resources table shows an increase of $1.5 million in Federal funding for fiscal year 1987 over the initial projections made in January 1983, representing an additional $2.2 million in the estimates for quadrangle program operations funding, offset by decreases in the projections for support operations ($92,000) and utilities ($623,000). The percentage of Federal funding for quadrangle operating costs decreased from the initial projection of 36 percent in January 1983 to the most current estimate of 31.3 percent in March 1986, even though the actual level of Federal funding increased from $10.1 to $11.6 million.

QUADRANGLE OPERATING COSTS, FISCAL YEAR 1987

	Estimate March 1986 table[1]	Estimate January 1983 table[2]	Difference
Program operations:			
Federal	$7,822,000	$5,610,000	$2,212,000
Trust	25,455,000	18,040,000	7,415,000
Support operations (Federal)	3,118,000	3,210,000	(92,000)
Utilities	687,000	1,310,000	(623,000)
Totals:			
Federal funding	11,627,000	10,130,000	1,497,000
(Percent)	(31.3)	(36)	
Trust funding	25,455,000	18,040,000	7,415,000
(Percent)	(68.7)	(64)	
Grand total	37,082,000	28,170,000	8,912,000

[1] The March 1986 table includes Federal and trust base funding for the Directorate of International Activities and the Traveling Exhibition Service, and the purchase of the Vever collection for the Sackler Gallery.

[2] The January 1983 table did not include Federal and trust base funding for the Directorate of International Activities and the Traveling Exhibition Service.

QUADRANGLE STAFFING

Senator McClure. In testifying before the subcommittee on the fiscal year 1985 budget, Mr. Jameson stated that 34 current civil service positions would be reallocated to the quadrangle.

The tables contained in last year and this year's justification don't reflect such a reallocation.

When will this reallocation occur?

Mr. Jameson. The reallocation will take place as soon as the quadrangle is occupied, beginning next month. These are the staff from the Museum of African Art, some horticultural positions.

Senator McClure. Well, if that is true that it takes place starting next month, shouldn't that be shown in your justification for 1987?

Mr. Jameson. It certainly should be. And I assume that the base we are giving you for 1986 and 1985 includes the positions that these activities that are occupying in the quadrangle will bring with them, including ones that I mentioned, plus the Traveling Exhibition Service, maybe a couple of smaller ones.

Senator McClure. It's my understanding that those, the 34 would be reallocated and not new positions.

Mr. Jameson. It would be currently on board staff, if I understand the question.

Senator McClure. But, look as we can, we can't find them.

Mr. Jameson. Well, we certainly need to give them to you.

Senator McClure. Would you?

Mr. Jameson. Yes, sir.

Senator McClure. Would you update your justification and help me find them?

Mr. Jameson. You deserve to have it and we'll do it quickly.

Senator McClure. Thank you.

[The information follows:]

EXISTING POSITIONS REALLOCATED TO THE QUADRANGLE

A total of 41 full-time permanent Federal positions, representing the Federal staffing base on the bureaus to be located in the quadrangle, are to be reallocated to the quadrangle, as indicated below. These positions are reflected in the tables provided in the fiscal year 1987 budget justification and in the 5-year prospectus, fiscal year 1987-91 for each of the bureaus involved.

Bureau	*Federal positions*
National Museum of African Art	25
Traveling Exhibition Service	7
Directorate of International Activities	9
Total	41

OUT-YEAR OPERATING COSTS—QUADRANGLE

Senator McCLURE. In your letter of appeal to the conference dated October 31, 1985, concerning action on the fiscal year 1986 bill, you stated that, by 1990, Federal support for quadrangle operations was estimated at $11.6 million.

That is precisely the amount contained in the fiscal year 1987 budget request, some 3 years ahead of schedule.

Should we assume that if the request is approved for fiscal year 1987, there will be an absolutely flat budget for the quadrangle for the next 3 years?

Mr. ANDERSON. Independent again of rates of pay and inflation, sir.

Senator McCLURE. You anticipate that. You surely anticipated that when you told us what it was going to be in 1990. You didn't just give us 1986 figures, or 1985 figures. You told us what it was going to be in 1990.

Mr. ANDERSON. There are some tables in the 5-year plan, sir, that are footnoted exclusive of inflation. I'm not sure if that might be one of them.

Senator McCLURE. But this is not a part of your 5-year plan.

Mr. ANDERSON. I'm sorry? I did not understand that.

Senator McCLURE. It was—go back and look at your letter of appeal addressed to the conference last October 31, in which you made a flat dollar prediction of what your 1990 operating costs would be.

Now that 1990 operating cost which you gave us last October is precisely what you now estimate for 1987, which would indicate that you have an absolutely flat budget expectation for the next 3 years.

And I'm asking is that correct.

Mr. ANDERSON. One intervening variable, of course, was advice from the Office of Management and Budget on the administration's view of what the quadrangle ought to be supported at, if I may mix my grammar.

Senator McCLURE. Did they increase your money?

Mr. ANDERSON. They have on occasions, yes, sir.

Senator McCLURE. Did they on this occasion?

Mr. ANDERSON. My recollection is fuzzy. [Laughter.]

Mr. ADAMS. Mr. Chairman, I think it's clear we're in some disarray on this and we——

Senator MCCLURE. Well, you know, I would really——

Mr. ADAMS. Without going back to look at the letter and inspecting these figures through detail, we can't answer you.

Senator MCCLURE. If you do that, and we laugh because I would really love to have an opportunity to find a situation in which OMB actually forced more money on you. If this is one, it's indeed a red letter item.

Mr. ANDERSON. The amount of force required would be very small, sir.

Senator MCCLURE. I understand that. But, if you will supply for the record an explanation of those two figures and what we may read into that.

[The information follows:]

PROJECTIONS FOR QUADRANGLE OPERATING COSTS, FISCAL YEAR 1987-90

In the letter of appeal to the conference committee on the fiscal year 1986 appropriations for the Department of the Interior and Related Agencies, dated October 31, 1985, the Institution stated: "By fiscal year 1990, the Federal funding projected for quadrangle support is approximately $11.6 million, or about 33 percent of total operating support." The projection of Federal funding for quadrangle operating costs used in the appeal letter was taken from the quadrangle resources table contained in the Institution's 5 year prospectus, fiscal year 1986–90, issued in January 1985, which accompanied the submission of the Smithsonian's fiscal year 1986 budget request to Congress. At that time, the projected estimate for Federal funding for the quadrangle in fiscal year 1987 was $10.7 million, with an anticipated increase of $900,000 between fiscal year 1987 and fiscal year 1990.

The corresponding figures in the most recent 5 year prospectus for fiscal year 1987–91 (issued in March 1986) show projected Federal funding of $11.6 million for fiscal year 1987 and $13.8 million for fiscal year 1990 for the quadrangle—an increase of $2.2 million between fiscal year 1987 and fiscal year 1990 ($1.3 million over the level of additional funding projected during this period in the earlier estimates).

The change in the projection of fiscal year 1987 Federal funding for the quadrangle represents increases in program funding for the Sackler Gallery ($541,000), the National Museum of African Art ($378,000), and the Directorate of International Activities ($326,000); as well as the adjustment necessitated by the inclusion of the base resources of the directorate in the quadrangle table ($401,000). These increases are partially offset by a reduction in the program support estimated for the Traveling Exhibition Service ($61,000) and reductions totaling $665,000 in projected support services including security, quadrangle building management, and utilities.

The increase of $2.2 million currently projected for fiscal year 1990 Federal funding for the quadrangle over the $11.6 million level estimated in January 1985 represents increases in program funding for the Sackler Gallery ($282,000), the National Museum of African Art ($634,000), the Traveling Exhibition Service ($169,000), and the Directorate of International Activities ($597,000); as well as the adjustment necessitated by the inclusion of the base resources of the directorate in the quadrangle table ($401,000). There is also currently projected a slight increase in the costs of support services and utilities over the January 1985 estimates.

The increases in the projected Federal funding for the quadrangle in fiscal year 1987 and fiscal year 1990 are primarily the result of changes in program planning that have occurred during the past year. For the Sackler Gallery, the planning process has had to respond to the constantly changing process of developing the full range of programs for the new museum, including expanded programs in publications and education. For the National Museum of African Art, continued exhibition planning for the increased exhibition space in the quadrangle resulted in the determination that the museum would have to continue to make extensive use of large loaned exhibitions from other countries in the future, eliminating an earlier anticipated decrease in the use of these higher-cost shows. For SITES, the projections reflect its expanded responsibilities in the quadrangle, including its role in developing and installing exhibitions for the International Gallery. The emerging central role of the Directorate of International Activities in the development of Institution-wide programs for the Columbus Quincentenary, as well as its role in coordinating major international research programs such as biological diversity, is also responsible for the increased funding requirements during this period.

QUADRANGLE OPERATING COSTS

	Estimate March 1986 table	Estimate January 1985 table	Difference
Fiscal year 1990 operating costs	$13,800,000	$11,600,000	$2,200,000
Fiscal year 1987 operating costs	11,600,000	10,700,000	900,000
Anticipated increase, fiscal year 1987–90	2,200,000	900,000	1,300,000

GROWTH IN STAFF AT SMITHSONIAN

Senator McClure. Secretary Adams, your opening statement contains some harsh words concerning automatic, mindless, across-the-board reductions, and an observation that the 1986 budget process not only left unmet but also substantially diminished the Smithsonian's objectives.

The Office of Management and Budget recently released information on the civilian work force levels between 1981 and 1986. Government-wide employment has increased by less than 5 percent. During that same period, your staff has increased by almost 12 percent. And the request for fiscal year 1987 would provide a cumulative increase of 15 percent in staff levels, and almost 80 percent in the "Salaries and expenses" account, as compared to the fiscal year 1981 level.

Considering the fact that there were two major agencies under our jurisdiction—the Department of the Interior and the Department of Energy—have sustained staff reductions of 9 percent and 23 percent respectively, I have no doubt that there are at least two other Secretaries who would be glad to swap percentages with the Smithsonian.

Having said that, I'm not totally unsympathetic to your requests, that some discretion be allowed to the Smithsonian in the event that sequestration is required in fiscal year 1987.

We cannot, however, address only your situation, as we have heard similar problems in other cases. We would be pleased to receive any recommended changes in the general definition of program, project, and activity which your staff may wish to offer.

And I would invite you to submit to the record what you might suggest in that regard.

[The information follows:]

PROGRAM, PROJECT, AND ACTIVITY

Public Law 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985, defines the term "program, project, and activity" as follows: "(1) any item specifically identified in tables or written materials set forth in the Interior and Related Agencies Appropriations Act, 1986 (H.R. 3011) and accompanying committee reports (H. Rept. 99-205 and S. Rept. 99-141), and the joint resolution providing continuing appropriations (H.J. Res. 465) and the conference report and accompanying joint explanatory statement of the managers of the committees of conference; (2) Government-owned or Government-operated facility, and (3) management units, such as national parks, national forests, fish hatcheries, wildlife refuges and the like, for which funds are provided in fiscal year 1986."

The Institution has no proposed changes to this definition, portions of which, primarily section (1), are applicable to its budget submission. While no changes are proposed to this line item manner of submission which allows a comprehensive review by the committees, it is proposed that overall tables or written material in the committees' reports be limited to the summary type of information such as that appearing on page 93 of the Senate report and page 98 of the House report on the fiscal year 1986 appropriation rather than the line-item detail such as appearing on pages 164-167 of the Senate report. Activity groups themselves, such as science, history, and art, et cetera, would then constitute the program for possible Gramm-Rudman-Hollings reductions and allow the Smithsonian additional flexibility in allocating such cuts. Depending upon the magnitude of such reductions and the Institution's priorities, some component line items might take greater or lesser cuts than the percentage applied to the overall program grouping.

LINE ITEM REDUCTIONS

Mr. ADAMS. Thank you very much. I suppose I owe you an apology for having been somewhat carried away by my own rhetoric with——

Senator MCCLURE. I enjoyed it.

Mr. ADAMS [continuing]. The word "mindless". [Laughter.]

I do think that the Smithsonian faces a particularly difficult problem with some 40 line items in its budget. And the prospect of having to negotiate with two committees having budgetary oversight within a very brief time with respect to across-the-board line item reductions of comparable percentages is mind boggling.

And facing that new problem, it, as I say, I may get carried away in my rhetoric, but I think we do face a new situation that makes me very appreciative of your willingness to look at some alternative way that aggregates these lines into a more workable pattern for us.

The increase in the size of the Smithsonian staff needs to be—it needs to be taken into account together with the increase in the Smithsonian facilities that are coming on line—the quadrangle, to which you've already made reference, is one example of a major new facility that will need staffing at many levels, partly at professional levels, but partly also for guards and maintenance people, and so on.

And those are programmatic increases that have gone through the budget process and I think one needs to take those into account before you talk about total percentages.

Senator MCCLURE. I understand that. And I get the same plea from the National Park Service, the Forest Service, Department of Defense, and any number of others who have increased activity levels and shrinking, or at least not growing, budgets.

I know that you noted Senator Garn's presence and departure, but he expects that I would ask these questions. I am certain I have the same interests, although not identical interests with his, in regard to the food services contracts, which we had a discussion in my office.

NATIONAL AIR AND SPACE MUSEUM RESTAURANT

After years of discussion and planning, the Smithsonian has recently reached a decision to modify current operations with respect to the provisions of food services on The Mall.

A major component of this is the decision to construct a new restaurant at the Air and Space Museum using available trust funds.

Why has the Smithsonian selected this approach rather than the option of a concessionaire-built facility?

Mr. ADAMS. Mr. Chairman, the concern of the Smithsonian needs to be directed in part toward the assurance of the quality of service for the public in its facilities. Partly, of course, also, toward the assurance of whatever is the maximum level of support for the Smithsonian itself that can be reasonable derived from those facilities.

And the advantage of the Smithsonian making arrangements to provide the capital for the construction of new facilities is a greater degree of control over the quality of service, over the pricing of that service for the general public, a degree of control which, in our judgment, is in the best interests of the public as well as the Smithsonian.

By not requiring the concessionaire to provide the capital, we assure more vigorous competition among the many qualified providers of such service.

If you are insistent that the concessionaire provide that capital, you limit the field very considerably.

Senator MCCLURE. Do the RFP's which are out now allow for alternatives, including funding by concessionaires?

Mr. ADAMS. They make no reference, as I understand it, to allowing for funding by concessionaires, but I would ask Ms. Leven.

Ms. LEVEN. No; they do not.

Senator MCCLURE. There is a kind of a catchall, isn't there, in the RFP that allows them to, first, they submit the RFP as written. If they have other proposals they wish to make, they're welcome to do so?

Ms. LEVEN. Yes; you have read the amendment No. 1 to the south mall proposal, which does allow that.

Senator MCCLURE. And if there is a concessionaire that wishes to make a proposal based upon concessionaire funding, they could do so under that proposal?

Ms. LEVEN. That's right.

Senator MCCLURE. And I assume, I need to ask for the record, but I assume I know what the answer is, that if they do that, they will be considered and evaluated as an alternative to the direct response to the RFP?

Ms. LEVEN. We will read and review all materials submitted to us.

Senator McClure. And if, as a matter of fact, such a concessionaire-funded proposal was on balance, or after your evaluation judged to be superior, it would be entertained?

Ms. Leven. Obviously.

Senator McClure. Restaurants open and close with some regularity in this town. But, clearly, some locations present less risks than others.

How would you assess the risk of the Air and Space facility being other than profitable?

Mr. Adams. I would find it very difficult to imagine its being other than profitable. With an attendance on the order of 10 million people a year coming through, I think one could bank on profitability.

The question of how much profitability is a matter of considerable concern. But it's very hard for me to imagine a set of circumstances with that many potential customers in the building, with the restaurant we're planning on immediately next door to that building, it's very hard to see how it could lose.

Senator McClure. Two RFP's are on the street for food service operations with closing dates of late May and early June. After the closing dates, how long do you anticipate it will be before a selection is made?

Mr. Adams. I need to turn to Ms. Leven.

Ms. Leven. Our anticipation is that we will start all new contracts on October 1, 1986. And we will take the requisite amount of time to carefully evaluate all of the proposals that we get in response to our RFP's.

We would anticipate that, at least by the end of July, we would have an indication on the first contract, if not on all three.

We need to leave ourselves maximum flexibility on time to be sure.

Senator McClure. So you're aiming for——

Ms. Leven. October 1 start date.

Senator McClure [continuing]. An October 1 award date, or that's when the——

Ms. Leven [continuing]. The new contracts would begin——

Senator McClure [continuing]. When the new contracts would be effective.

So you think by July?

Ms. Leven. I think by the beginning of August, August 1, in order to give the new vendors, if there were to be new vendors, a full 2 months to get ready.

Senator McClure. Last year's RFP with respect to the Air and Space addition, resulted in the selection of one of the bidders. Yet, contract negotiations fell through, which brings us to where we are today.

Are the current RFP's more specific in terms of requirements to make you confident that you will actually be in a position to sign a mutually acceptable contract with one of the bidders?

Ms. Leven. Yes, sir; they are far more specific.

Senator McClure. Although this is an area outside of the direct jurisdiction of this subcommittee, we do have a certain amount of interest in the process, and there is certainly a relationship between that ill-defined or impossible to define area of crossover between appropriated funds and nonappropriated funds—what you do in one area affects the other inevitably.

And what happens in this particular instance has a potential of affecting the appropriated funds.

As you proceed, will you please keep this subcommittee apprised of all of the developments?

Mr. ADAMS. We certainly will. I'd be delighted to do so.

BICENTENNIAL OF THE CONSTITUTION

Senator McCLURE. Increases of $185,000 for American History, and $85,000 for the National Portrait Gallery are requested for the Constitutional Bicentennial. With $265,000 provided through congressional increases, American History will have a total of $450,000 for this effort in fiscal year 1987.

What additional amounts do you anticipate requesting for the bicentennial in the next 2 years?

Mr. ADAMS. Either we can supply that for the record, or we can call upon Mr. Tom Freudenheim.

Senator McCLURE. Well, if you would prefer to supply it for the record, that's satisfactory.

Mr. ADAMS. Fine.

Senator McCLURE. Are any base resources being devoted to this activity?

Mr. ANDERSON. In the sense of staff expertise, the culmination of research projects that have been afoot for a number of years, yes, indeed, Mr. Chairman. With regard to the actual new cash needed to build an exhibit that embodies the findings, no.

Senator McCLURE. Will any trust funds be used to support the program?

Mr. ANDERSON. Yes, sir; our special exhibition fund, which is entirely trust funded, has already made one grant in partial support of the National Portrait Gallery proposal.

Senator McCLURE. As you submit the materials with respect to the anticipated request for the bicentennial funding for the next 2 years, could you include in that either base-funding amounts and/or trust fund amounts?

Mr. ANDERSON. We'd be happy to, sir.

[The information follows:]

Anticipated increases for the bincentennial of the Constitution

Fiscal year 1988:	
To complete exhibition, "Portraits of Distinguished American Jurists"	$120,000
To hire a registrar's aid, GS-5 and a conservator, GS-9 for the period between 1988 and 1990 to provide registrarial and conservation support for all bicentennial exhibitions	70,000
Total	190,000
Fiscal year 1989: Continuation of registrarial and conservation support	70,000
Fiscal year 1990: Continuation of registrarial and conservation support	70,000

In fiscal year 1985, the Smithsonian Institution special exhibition fund provided $18,500 in trust funds to begin the initial planning and research for the exhibition, "Portraits in America 1700–76." An additional request for $311,000 is being considered for funding from the Institution's special exhibition fund in fiscal year 1986.

COLLECTIONS INVENTORY PROGRAM

Senator McCLURE. Congress provided an increase of $500,000 in fiscal year 1979 to expedite inventory of Smithsonian collections.

At that time, the Smithsonian estimated that the process would be completed in the early 1980's. It is now projected that the special program will continue at a level in excess of $1 million annually, at least through 1991.

What's the total amount which has been spent since 1979 through both this program and base resources of the museums for the Collections Management and Inventory [CM/I] Program?

Mr. ADAMS. Obviously, we don't have those numbers here at hand. We'll certainly provide them for the record.

Senator McCLURE. Thank you.

[The information follows:]

FUNDING HISTORY FOR COLLECTIONS MANAGEMENT

[Dollars in millions]

Bureau	Fiscal year 1979–86		Fiscal year 1987		Fiscal year 1988–91	
	Base[1]	CM/I Program[2]	Base[1]	CM/I Program[2]	Base[1]	CM/I Program[2]
National Museum of Natural History	$6.100	$2.900	$0.857	$0.515	$4.285	$2.575
National Museum of American History	4.000	1.950	.741	.419	3.705	2.095
Cooper-Hewitt Museum	.440	.530	.070	.084	.350	.420
Archives of American Art		.061	.025	.065	.125	.325
Office of Information Resource Management and Office of Registrar		.400		.062		.310
Total	9.540	5.841	1.693	1.145	8.465	5.725

[1] Base funds within bureau.

[2] Collections Management Inventory Program allocations or estimates.

INVENTORY PROCESS

Mr. ADAMS. Let me say that the complexities of that inventory process have been very considerable, and I'm not at all sure that an early estimate could have been accurate, as we've gotten into this process.

The Smithsonian, in a normal year, is adding 3 or 4 million new objects to its collections. We're talking about a moving target here in some respects; it's not a problem that——

Senator MCCLURE. Well, it looks to me as though something that looked like that was presented to us as a special project somehow being converted into a permanent feature.

Mr. ADAMS. I would guess, sir—I wasn't here at the time—that it was already visible as a permanent feature, when it was presented as a special project.

Senator MCCLURE. It may have been visible but it certainly wasn't presented to us that way. I would hope it was less visible than that perhaps in view of the way it was presented.

Mr. JAMESON. Mr. Chairman, a baseline inventory was complete by, as I recall, 1983. In other words, we completed a full inventory of objects in the collection, albeit in some cases, like objects were estimated in the aggregate.

The funds that are now in our base would be used to continue to refine the inventory, to break down some larger collections of objects, to make sure that paper records are in agreement with fiscal records and, as the Secretary said, to make sure we are keeping up adequately with the goings and comings of objects.

Senator MCCLURE. Would you, when you provide the information, include what additional amounts are projected through 1991 for this work?

Mr. ADAMS. Be pleased to do so.

MUSEUM SUPPORT CENTER

Senator MCCLURE. The Museum Support Center must rank as one of the most poorly planned operations of the Smithsonian. Changes continue to be made in the type of storage equipment to be installed; equipment costs continue to escalate.

And the actual transfer of the collections, which was to have been completed this year, will carry over to the next decade. Total move costs were initially estimated at $1.8 million. To date, $3.2 million has been appropriated, with an additional request of $862,000 for fiscal year 1987.

What are the additional outyear costs associated with the move?

Mr. ANDERSON. Anticipating questions on the Museum Support Center, Mr. Chairman, some numbers have been pulled together. The original building cost $29 million to construct. As I think this subcommittee knew, it was a shell.

The intent was to fill up the inside of the shell—four pods containing the collection storage equipment—with the steel system on which one could hang shelves, walkways, cabinets, lighting fixtures, the like.

It was a system designed by fully competent architects. It was reviewed by fully competent engineers from outside firms. Those were all vetted by the General Services Administration, which was our agent in these matters.

Our own on-board architects and engineers reviewed the same plans. Everybody felt fully confident that the building would proceed on schedule.

What happened, however, was that when the plans got out into the real world of manufacturing companies, it was discovered that there were no firms out there either willing or able—we're not sure which—to meet the fine-tuned specifications in question.

The problems were essentially three. The air-tightness of the cabinets to make sure that if one ever had an infestation of bugs, for example, you could kill the bugs without killing people, or that you could maintain a high enough concentration of the insecticide to make sure that the problem would get cured right there on the spot.

The second problem was paint. It turns out that insecticides are very much like paint remover. And a steel system that is not well-painted is a steel system that's going to rust, particularly in a controlled, high humidity situation, plus or minus, 50 percent humidity level.

And the third problem was basic stability of the system, spanning long spaces. And the decision, as this committee knows, was to dispense with the steel tinker-toy, if I may, approach and, instead, pour intermediate concrete floors.

That process is well under way. We're happy to report that the expenses of doing so are no greater than the expenses that had been anticipated with the steel system, as reported in our book last year, thanks to the extent to which we are able to reuse many of the storage units in the Museum of Natural History; because they no longer have to hang on a storage rack but can sit on a concrete floor the costs balance out very nicely.

Where we do still have a problem, however, is in the area of the storage component parts themselves, the actual cabinets, the actual shelves, which will now fit on these two intermediate concrete slabs.

The general contractor on the job, a company by the name of Davis, has had inordinate trouble working out an agreement with a subcontractor. In fact, several have been tried on for size, to supply the component parts at the price and by the schedule that the Smithsonian and the General Services Administration had agreed to, and to which Davis itself had agreed.

Given contracting law, relations between a general contractor and a subcontractor are really unto themselves. There's no way that we can particularly intervene on specific matters. The only lever available to us is the large one of default.

And we have been reluctant to take that step, because at that point, one can almost guarantee that the whole project would grind to a halt. One would be looking at a number of years worth of legal disputes back and forth—meanwhile, no collection objects being moved whatsoever.

MUSEUM SUPPORT CENTER MOVE

On the brighter side, about 22 percent of the objects which had been anticipated to be moved out to the support center have already been moved.

Pod No. 3, I think it is—I forget the designations of them—the wet pod, so-called, in which one has any number of pickled fish and other kinds of natural history specimens, has been filling up very nicely.

Many of the dry collections have been moved from their object storage spaces to object preparation spaces in the Museum of Natural History and from there to staging space at the Museum Support Center. To answer your question regarding the future year costs of the move, the estimated amount is $2.6 million.

MUSEUM SUPPORT CENTER EQUIPMENT

So, even though there are problems remaining as between contractors and subcontractors, there is progress being made at the site.

Senator McClure. I am puzzled a little. First, I understand the uncertainties involved. And you started out by saying we selected perfectly competent engineers, estimators. They came up with perfectly incompetent results.

Is that what I read you to say? Or are you trying to say that the uncertainties are such that even the competent couldn't be competent?

Mr. Anderson. I am sure that's a question that may well be debated in court before we're all through, Mr. Chairman.

Senator McClure. You know, I heard all the explanation and those are reasons. I'm not sure that they're justification.

Mr. Adams. I think, Mr. Chairman, that we may have been, in retrospect, dazzled by the prospect of state-of-the-art technology that would have offered long-term economies of operation and ease of access, and so on.

Senator McClure. But I assume those competent engineers were competent to evaluate that? And the competent architects were competent to design that?

Mr. Adams. But if you're dealing with proven technology, with examples that have functioned for some years, you have a degree of confidence that you don't have when you turn to some new design.

Senator McClure. There is some degree of error, which begins to look more like incompetence than it does a collection of marginal errors.

Mr. Anderson. It's clear, Mr. Chairman, this is a project about which a large number of people can feel no pride, people within the Smithsonian, within a number of firms in the private sector, within the General Services Administration.

Senator McClure. What price, pride?

I am sensitive to the difficulties of trying to hold people to contract. But you indicated, and I think correctly so, the difficulty between a contractor and a subcontractor is his problem. And I assume, under that contract, that is his problem, is it not?

Mr. ANDERSON. Yes, sir.

Senator MCCLURE. So what you're really doing is making it the taxpayers' problem.

Mr. ANDERSON. Well, we're laboring mightily to minimize it, sir.

Senator MCCLURE. On the scale of $1 to $1 trillion, this isn't a very large item. But in percentages, it certainly doesn't look very good. Even DOD does better than that.

Mr. ADAMS. Mr. Chairman, if I understand the situation, the choices are not good in either direction on this. It isn't a matter of simply trying to transfer a burden to the taxpayer, but if we were to declare noncompliance in this situation, we would lose any forward motion on this project at all. And the completion of the contract as time went on by some other contractor would become more difficult and more expensive.

So that we're faced with bad choices, whichever course of action we follow.

Senator MCCLURE. I understand that. Are you withholding the money from Davis Construction?

Mr. ANDERSON. The General Services Administration's procedures apply here, sir, not those of the Smithsonian Institution. In other words, I don't know the answer to your question.

Senator MCCLURE. Can you supply it?

Mr. ANDERSON. Yes, sir.

[The information follows:]

PAYMENT TO CONTRACTOR

According to the General Services Administration, in keeping with the terms of the contract, progress payments are being made to the contractor for work performed on the concrete deck portion of the Museum Support Center project. Payment also has been made for preliminary engineering work done on the storage cabinets but no payments have been made for the production of cabinets since no progress has been made on this part of the contract.

MUSEUM SUPPORT CENTER PROJECT

Senator MCCLURE. I don't mean to beat on that particular one, but it's troubling. And I think it's troubling you. You've been candid in saying you don't take very great pride in that. I think that's obvious, that you should not.

But what do we do about it?

Mr. ANDERSON. Another problem I think attendant to the project, Mr. Chairman, and from which we have learned a lot is that it makes little sense in retrospect—and hindsight is always full of wisdom—it makes little sense to proceed along two parallel paths with two different sets of architects and engineers, one of which will provide a building for you and the other of which will fill it, down to a margin of a fraction of an inch, with equipment and storage facilities.

It should have been, in retrospect, a unified contract with a single set of standards, a single group of architects, engineers to be held accountable.

Senator McClure. Well, I note in the cost for collections storage equipment, which was originally estimated at $11.6 million, was revised upward in fiscal year 1985 to a level of $17.9 million, an increase of $8.3 million or better than 40 percent; and is apparently being again adjusted upward to $23.3 million, which will be better than double the original estimate.

In fiscal year 1985, the Smithsonian requested $7.5 million to complete the acquisition of equipment for pods one, two, and four.

Just since our 1985 hearing, the equipment that was to cost $7.5 million has now increased to $10.1 million.

Mr. Anderson. I'm not following your numbers, sir.

Senator McClure. Well, in 1985, you estimated the equipment at that time—not the initial estimate at the 1985 hearing—the equipment estimate was $7.5 million, and has now increased to $10.1 million—just since the 1985 hearing.

And that's without the cost of the high bay storage, which is included in the 1985 estimate.

What is the estimated additional cost for the high bay storage?

Mr. Anderson. I admit to embarrassing confusion, sir. It's my understanding, my oral understanding from staff at the Smithsonian, that the numbers this year before your committee are no different from the numbers last year.

If you have found a $3 million discrepancy, we need obviously to work to——

Senator McClure. It was the hearing in 1985, not last year. The hearing on the 1985 budget.

Mr. Anderson. Oh, in 1984.

Senator McClure. Yes.

Mr. Anderson. If we may, sir, we will supply for the record a justification.

Senator McClure. If you would, please.

Mr. Anderson. Yes.

[The information follows:]

CHANGES TO MUSEUM SUPPORT CENTER EQUIPMENT COSTS

Following the hearings for the fiscal year 1985 budget, supplementary information on the estimated cost of the initial move storage equipment was given to the committee by letter of August 7, 1984. This information, which reflected contract prices as well as adjustments for fees, contingencies, and escalation, indicated that the revised cost for the system (at that time the three-tiered rack system) was $20.8 million. In addition, a total of $1.5 million would be required for the high bay storage equipment, bringing the total cost for the initital move equipment, both high density and high bay, to $22.3 million.

Congressional action reduced the fiscal year 1985 request of $7.5 million for storage equipment to $3.258 million and it was, therefore, necessary for the Institution to project a longer period of acquisition and installation for this equipment and to project, as well, an additional amount of $0.5 million each year for fiscal year 1986 and fiscal year 1987 to cover resulting escalation costs. The total projected estimate thus became $23.3 million for the initial move storage system for all four pods at the MSC and this amount was explained in the Institution's budget request for fiscal year 1986 (p. 180).

This estimate was also reported to the committee on March 13, 1985, with an explanation of how the amount of $23.3 million would be applied to the installation of a concrete deck and cabinet storage system rather than to the three-tier metal rack system. Because of the nature of the construction involved, completion of concrete decks in areas of the pods initially reserved for future collections growth was contemplated. In effect, the Institution would defer certain steps planned to take place under the initial move and accomplish now other steps originally planned to take place in future years. However, even with this change in the sequence of events, the work presently planned falls within the amount of $23.3 million which the Institution hopes to have available through fiscal year 1987 from a combination of line item appropriations for MSC equipment and funding already reprogrammed by the Smithsonian from other sources.

The estimated cost of $1.54 million for the high bay storage equipment was established by a consultant retained by the Institution in 1984. No additional costs, other than some possible inflation, are anticipated for this equipment.

GUARD STAFFING AT THE QUADRANGLE

Senator McClure. Funds are requested for the Office of Protection Services to provide a total of 69 guards for the quadrangle. How does this level of staffing compare to other Smithsonian museums?

Mr. Jameson. It's comparable, Mr. Chairman. It's a result of a detailed study to determine the number of guards that need to be placed in exhibit areas, at doors of entry and in other locations.

It is a comparable figure in numbers to our other museums.

Senator McClure. What are the anticipated hours of operation for the quadrangle?

Mr. Jameson. The quadrangle will operate like the rest of our buildings, Mr. Chairman. Some of the staff will arrive at 6 in the morning, which requires some guards to make sure doors are open. Public hours will be from 10 in the morning until 5:30 p.m. And there's no doubt that special events of one sort or another—conferences, lectures, films, other kinds of events—will extend until 10 or 11 in the evening.

So we're talking basically about very close to an 18-hour day.

Senator McClure. Similar to the pattern of operation for the other buildings?

Mr. Jameson. Very much so, Mr. Chairman, yes.

Senator McClure. And it is correct to say, is it not, that the costs of providing guard services and the number of guards depends upon the number of hours?

Mr. Jameson. Yes; many of those posts will be manned around the clock, 7 days a week, particularly the perimeter posts.

Senator McClure. Is the 1987 request based on extended summer hours for all of the museums?

Mr. Jameson. If the moneys in our budget for fiscal year 1987 are provided, we'll have summer hours.

Senator McClure. I think I understood you to say yes.

Mr. Jameson. Yes, sir. [Laughter.]

ZOO HOSPITAL

Senator McCLURE. When will the new hospital at the zoo be ready for occupancy?

Mr. ANDERSON. I think the answer is within the year, Mr. Chairman, but I think also Dr. Challinor, the Assistant Secretary for Research, is in the room. Perhaps he could step forward.

Dr. CHALLINOR. I defer to the Director of the zoo.

Senator McCLURE. OK, we'll find the sergeant pretty soon.

Dr. ROBINSON. We just have completed the process of having the plans approved by the National Capital Planning Commission and the Commission of Fine Arts. The contract will be let later this year and we expect within the margin of error for construction, effects of weather, the building will be occupied 6 to 9 months after that.

So it will be next calendar year.

Senator McCLURE. Sometime mid-summer next year or late summer?

Dr. ROBINSON. I hope before that, sir.

Senator McCLURE. All right.

Dr. ROBINSON. I'll be happy to——

Senator McCLURE. What are the requirements for equipment and what resources have been identified to meet these requirements for the zoo hospital?

Dr. ROBINSON. We are hoping to get a lot of the equipment similarly from within our present hospital, transferred to the new hospital. And we're hoping to bring surplus medical equipment from human hospitals, if possible, in view of the financial situation—we're also establishing a foundation to develop private money for such things, sources of equipment from the private sector.

Senator McCLURE. So you're still not certain what the funding requirement will be?

Dr. ROBINSON. We have no Federal request for that equipment at the moment.

Senator McCLURE. At what moment will we? [Laughter.]

Dr. ROBINSON. In view of the restrictions on budget now, including Federal requests we do not know.

Senator McCLURE. I wonder, Mr. Adams, if you could develop for the record an estimate of what the total equipping requirement will be and how much you expect to be able to get from non-Federal sources.

Mr. ADAMS. You're speaking of the whole or of the zoo?

Senator McCLURE. Of the zoo hospital. Yes.

[The information follows:]

ZOO HOSPITAL

When the new hospital is completed we will transfer most of the existing equipment from the old hopsital. The existing equipment in our hospital has a book value (for inventory purposes) of approximately $50,000.

The estimated cost of the additional equipment we would like to have in our new hospital totals approximately $825,000. This includes both hospital and research equipment. We hope that outside funding can be found for the equipment and that no Federal funds will be required to equip the hospital.

Listed are the equipment items we plan to purchase for the new hospital.

Equipment transferring to new National Zoological Park Hospital[1]

Anesthesia machine[2]	$1
Surgery table—Large animal	2,500
Surgery table—Small animal	1
Suction machine[2]	1
Electro surgical cautery	200
Imed infusion pump	200
Dinamap blood pressure monitor	1,200
Dinamap blood pressure printer	1,400
ECG[2]	3,400
Animal holding cages bank of 4 (2)	2
Freestanding cages (3)	1,100
Crash cart	100
Chart holder	1
Dental cart	100
Sartorious balance	641
X-ray machine	13,000
Ultrasonic cleaner	1
Cameras	1,200
Slide cabinet	530
Bone plating equipment and drill	1,200
Table water blankets[2]	4
Surgical lights[2]	10
Doppler	62
Welch Allyn wall mounted unit	225
Laparoscope equipment:[2]	
Scopes	600
Insufflator	154
Light source	154
X-ray cassettes (6)	$400
Pressure washer[2]	220
Cavitron[2]	280
Office furniture	
File cabinets, chairs, equipment	
X-ray viewers	250
Safe, drug	1
Fireproof file cabinet	85
Typewriters (3)	794
Electric thermometer	361
Hospital stretchers (2)	800
Pistols (5)[2]	72
Kodak M20 processor	5,000
Kodak M20 auto mixer	900
Washing machine (2)[2]	2
Clothes dryer[2]	61
Revco freezer ultra cold[2]	1
Autoclave[2]	1
Squeeze cage—Large	210
Squeeze cage—Small	105
Oxygen tanks	800
Refrigerators (3)	520
Freezer—Upright	265
Incubator and stand[2]	900
Incubator—Table model	700
Microscopes (3)	2,000
Scales—Platform and atlas	2
Centrifuge	365
Liquid nitrogen tanks	1,462
Computer	4,426
Gas sterilizer	220

[1] Dollar amounts are taken from yearly supply inventory.

[2] Equipment that is very old, in fair to poor condition, and may not transfer well.

Equipment purchases for new National Zoological Park Hospital

Electrical thermometer (2)	$860
X-ray unit 500 ma	350,000
Dental X-ray unit	4,500
Equipment carts (3)	450
Copy machine	8,000
Microwave	400
Laparoscope equipment:	
Light source	3,100
Scopes	5,000
Insufflator	1,300
Trocars	800
Cables	200
Realtime ultrasound	25,000
Oxygen regulators	400
Suction regulators	400
Lead gloves (3 pr)	600
Lead gowns (3)	700
Furniture	
Conference table	
Welch Allyn ophthalmic otoscope:	
Wall mounted unit	$800
Blades and handles (multiple)	500
X-ray cassettes and screens	2,500
Shelving—Pharmacy	75,000
Office furniture	
X-ray viewers	2,000
Medium transfer cage	500
Intensive care cage	8,000
Computer terminal and hard disk	3,000
Surgery table	2,000
Surgical lights	27,000
Imed infusion pump	2,600
Floor scrubber	500

Equipment purchases for new National Zoological Park Hospital—Continued

Refrigerators (3)	$2,000	Shelving—Clean utility	$25,000
Washers (2)	800	Incubator—Infant and access	4,800
Dryers (2)	800	Sterilizer—Amsco	34,000
Freezers—Regular (2)	1,200	Dental cart with drills	4,500
Freezer—Revco	5,600	Cavitron	1,200
Scale—Atlas	600	Food prep tables	2,000
Flexible colonofiber scope and light source	19,000	Total	627,610

Research equipment to purchase for new National Zoological Park Hospital

Mettler PC-series electronic balance (PC 2200)	$2,250
Precision water bath—Model 15-474-30	1,100
Heavy duty cart—Model 11-926	300
Refrigerated centrifuge (ICE, Cr 7R)	7,000
Refrigerator-freezer, 14 cu ft, lab-line (2)	3,200
Revco, ultra-low temperature freezer	7,000
Laboratory chairs	800
Thermix stirring hotplate—Model 610T	250
Fisher sonic dismembrator—Model 300	1,575
Automatic CO_2 incubator (Napco)	5,400
Laminar flow cabinet—Fisher 92-750-8	5,000
Vacuum pump (Gast)	325
Laboratory oven	425
Fisher accumet pH meter—Model 810	900
Hoxan embryo freezing unit	13,000
Labconco laboratory steamwasher	3,000
Water purification system	7,000
MVE high capacity liquid nitrogen storage tank—A2600	7,000
Automatic filling unit for high capacity liquid nitrogen (MVE)	1,300
LKB ria gamma counter	19,500
Spectrophotometer—Bausch & Lomb	6,200
Mettler electronic analytical balance	6,500
Leitz micromanipulator with inverted microscope	35,000
Wild stereomicroscopes—M5APO (2)	11,300
Microforge	4,900
Pipette beveler	2,200
Pipette puller	5,100
Electroejaculator	700
Zeiss universal light microscope equipped with fluorescence, differential-interference contrast; Normanski Optics long working distance objectives, photographic capability	31,000
Video camera and monitor for microscope	5,200
Total	194,425

AQUATIC HABITATS EXHIBIT

Senator McCLURE. When is it anticipated that design will be completed on phase two of the aquatic exhibit facility?

Dr. ROBINSON. If I may answer that again, just before I left for Malaysia a few weeks ago, we chose the architect-engineering firm for that. I'm not sure what the time schedule is on the work.

Senator McCLURE. Could you supply that for the record?

Dr. ROBINSON. We could supply that for the record.

Senator McCLURE. All right. Thank you.

[The information follows:]

AQUATIC EXHIBITS

The design for phase two of the aquatic exhibits will be completed in late fiscal year 1987.

AUTHORIZATION REQUIREMENTS

Senator MCCLURE. For the Arts and Industries Building, an amount of $300,000 is requested for design of extensive renovations to the Arts and Industries Building.

Projected future costs are in excess of $24 million. Last year, the Smithsonian had discussions with the authorizing committees concerning which projects would require authorization.

Will a project of this scope require action by the authorizing committees based on your understanding of their interest?

Mr. ADAMS. You know, that's a very difficult question. One can view a project of this kind as a series of ad hoc changes which are made as opportunity comes and as budgets permit, and which furthermore are frequently revised downward as opportunities shrink.

Or one can project rather over-confidently in this climate a long-term plan and take it forward for authorization and then be forced to explain why you haven't been able to carry out that plan.

This is a case that seems to me to lie on the margins and I'm not trying to escape the oversights involved in the authorization process, but to deal with the lack of certainties, that can only be done over a lengthy period of time and in the face of uncertain budgetary climate.

Mr. ADAMS. I should say that there is no doubt that over a period of years into the future, the Arts and Industries Building is in need of very extension renovation. It is a building which——

Senator MCCLURE. I don't question that. What I really am trying to grope with here is whether we are going to be faced with a series of related, yet unrelated, individual annual appropriations, without having the context of an overall project, which, if that is what we have in mind, undoubtedly, would fall within the purview of the expectation of the authorizing committee.

Mr. ADAMS. I understand that, Mr. Chairman, and I confess I am not really clear what the best way to proceed here is.

Senator MCCLURE. I am not sure that I am either, but might I make a suggestion, and that is, that you try to develop, as best you can, a broad outline of what the needs are and how you hope to achieve meeting those needs and submit it to the authorizing committee for their comment.

Mr. ADAMS. That is a very good idea. We will do that.

Senator MCCLURE. And maybe together, we can find an answer to how we should best proceed.

Mr. ADAMS. Fine.

Senator MCCLURE. Well, thank you very much for your testimony. I appreciate it.

ADDITIONAL COMMITTEE QUESTIONS

There are a number of questions which we will ask to be answered in writing for the record.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Quadrangle Support Costs

Question: Are all utility, ground maintenance and building maintenance costs for the Quadrangle fully charged to the Federal government? If so, why in view of the fact that substantial portions of space will be occupied by Trust funded activities?

Answer: As noted in the March 10, 1986, policy statement provided to the Committee, those trust funded auxiliary activities which occupy administrative space in Smithsonian buildings pay rent equivalent to the number of square feet they occupy times the square foot rate for space occupied by Smithsonian units at L'Enfant Plaza. The funds thus obtained are used by the Institution to help pay for space it rents at the Plaza thus reducing federal expenditure for that purpose. The trust-funded auxiliary activities that will be in the Quadrangle will pay approximately $431,000 in rent in FY 1987 according to the above formula. Since that rent is based on a commercial figure, it includes services, such as normal security, maintenance, and utilities, and the activities are not separately charged for such services. Should overtime assistance be used, however, such as for guards or custodial staff, the auxiliary activities would be billed additionally.

Quadrangle Employment

Question: Based on the FY 1985 figures, we estimated that approximately 196 new positions would be requested for Quadrangle associated work. According to our calculations, with increases provided to date and those requested for fiscal year 1987, we would have provided 229 new positions. Is that about right?

Answer: A total of 223 new positions for Quadrangle-related support have been approved through FY 1986 and requested in FY 1987, as indicated in the following table:

New Quadrangle-related Positions (By Bureau and Fiscal Year)

Bureau	FY 1985 Approp.	FY 1986 Approp.	FY 1987 Request	Total
Sackler Gallery	8	17	12	37
National Museum of African Art	7	14	10	31
Smithsonian Institution Libraries	1	-	2	3
Office of Exhibits Central	-	1	3	4
Traveling Exhibition Service	-	6	3	9
Directorate of International Act.	-	2	-	2
Office of Personnel Admin.	-	2	-	2
Office of Accounting and Financial Services	-	-	1	1
Office of Protection Services	-	33	36	69
Office of Plant Services	-	11	4	15
Office of Horticulture	-	2	4	6
Quadrangle Building Manager	-	25	19	44
Total:	16	113	94	223

Question: Does the FY 1987 request represent the total staffing requirements for the Quadrangle? If not, what additional positions will be proposed?

Answer: While the FY 1987 request represents the completion of most staffing requirements for Quadrangle-related support, it is anticipated that several additional positions will be sought to strengthen the program capabilities of the Sackler Gallery and the National Museum of African Art, and adequately staff the Office of Horticulture and the Quadrangle Building Manager. The need for these new positions will be reviewed as part of the formulation of the Smithonian's Federal budget request for FY 1988 and following years. After the initiation of full public operation of the Quadrangle facility, each bureau will review its original projections of staffing requirements and may request adjustments in proposed future staffing necessary to achieve efficient program operations.

Question: A total of 68 guards are requested for the Quadrangle. Upon what schedule of operations is that based?

Answer: The guard schedule of operations for the Quadrangle is based on the planned staff occupancy of the building in FY 1986, with public opening in June 1987. From that time the building will be open to the public from 10:00 a.m. to 5:30 p.m. each day, with the exception of Christmas Day. Security for the Quadrangle will be provided 24-hours-a-day seven-days-a-week through three eight-hour reliefs of guards. There will be four supervisors to cover the three reliefs which will have 30 posts on the first relief and four posts each on the second and third reliefs. The first relief posts are for entrances, loading dock and galleries. The second and third reliefs are for inspections and tours.

Smithsonian Environmental Research Center--Rockville

Question: The Smithsonian has made plans to close the Rockville Branch of the Environmental Research Center effective this coming November. As we have received copies of hundreds of letters directed to the Smithsonian protesting this action, it is obvious that the decision is controversial.

Outside reviews of the scientific work performed at the facility were conducted in 1979 and in 1982. We have a copy of the earlier report which contained recommendations for improvement, a number of which were implemented clearly with a view toward continuation of the program. Further we understand that the 1982 study recommended that the entire facility be moved intact to the Edgewater location. Has there been another outside review since 1982 which has led to this redirection?

Answer: The final external review on whether the Institution should continue the operation of the Rockville laboratory at any cost or redirect its research goals in other directions in biology was made in January 1986. The consensus of the reviewers was that the Rockville resources should be redirected to other higher priority biological programs within the Institution, while retaining selective SERC-Rockville programs under new organizational arrangements.

Question: Is there a regular schedule for outside review of all Smithsonian research work?

Answer: There does not exist a regular schedule for outside review of all Smithsonian research. However, the Institution uses various techniques to evaluate research directions and priorities from the individual research level to the broader bureau programs. The most basic evaluation is the performance appraisal system, an annual review of progress dictated by the Office of Personnel Management (OPM). Twice a year an individual researcher reviews his/her research progress with his/her supervisor, and the results of this are reviewed by the Bureau Director. In addition to this mechanism, science bureaus, and the larger art and humanities bureaus, review on a cycle set by grade level, the performance of their research staff. This process entails reviews of the individual's accomplishments during the period (at a maximum of seven years) by soliciting external evaluations via letter and/or performance committees. The results of these reviews are routinely evaluated by senior bureau and institutional managers.

On a larger scale, whole bureaus or their component departments as well as interbureau research programs are periodically reviewed by external visiting committees. For the larger scientific bureaus, these reviews occur on a 5-7 year cycle.

The nature of most research at the Institution also dictates publishing in referred journals and the presentation of research results at meetings. In both forums, extensive critique are received both formally and informally. The Smithsonian Council, consisting of distinguished scholars meets annually at the Institution, and provides counsel on research directions as well. In addition, Smithsonian's own research granting programs as well as external grants and contracts are peer reviewed. The Smithsonian's Research Policy Committee also provides regular assessments of Smithsonian research progress.

Ultimately, the Secretary with both inside and outside advice sets the broad direction of Smithsonian research.

Question: Is there an Institution-wide rating system which, for example, compares scientific research with museum research or with art research?

Answer: Disciplinary differences make an Institution-wide comparison and evaluation of research impossible to achieve. However, in judging broad lines of research within specific fields of science, arts, or the humanities, similar criteria can be developed for useful comparative analysis. As mentioned in response to the prior question, evaluation of these research programs occurs on a cyclical basis and the Institution is moving towards broader conformity in this area.

Question: Based on the revised justification requested by the Committee, it is estimated that only $300,000 would be saved in fiscal year 1987 if the facility were closed. About 40 employees would lose their jobs. Is there any compelling reason that the closure could not be delayed a few months in order to allow staff, particularly the scientific staff, more time to seek alternative employment? We have been told that it is already too late in the year for most to obtain academic appointments for next year.

Answer: The SERC-Rockville staff were told on February 14, 1986 that the facility would close in FY 1987 and on March 1 that the date would be November 22, 1986, giving them nine months to seek alternate employment. The Institution remains optimistic that most of the more than 35 technical and clerical staff will be able to find new positions in other bureaus of the Smithsonian before the closure date, under a priority placement program. Current plans call for 2 scientists to transfer their research from SERC-Rockville to SERC-Edgewater, accompanied by at least 3 technicians. One scientist and 3 technicians will be transferred to the Office of the Assistant Secretary for Research to continue the development of instruments for measuring solar radiation in collaboration with the National Oceanic and Atmospheric Administration. One scientist will continue his research at the University of Pittsburgh. At least 2 scientists are planning to retire and the remaining 6 scientists are negotiating with other institutions. The Smithsonian is certainly ready to be flexible in helping these individuals make future employment arrangements.

Prudent budgeting dictated that the estimates for the closing costs for SERC-Rockville include the maximum projected costs of severance pay and annual leave payoff. As a result of the priority placement program established to assist SERC-Rockville employees in seeking alternative employment within the Smithsonian and the ability of employees to find other positions, the savings realized from the closing of SERC-Rockville may be greater than the $300,000 estimated in the revised justification provided to the Committee. If these additional savings materialize, the available funding would be used to further the Institution's scientific equipment replacement program, which has received Congressional support during the past three years.

Question: Are there requirements of other federal agencies for research that are currently being supplied by Rockville which would be terminated if the facility were to close?

Answer: The only requirement of other federal agencies for research now being done at SERC-Rockville is for the development of instruments for measuring solar radiation. This requirement will be sustained by a collaborative program between the Smithsonian and the National Oceanic and Atmospheric Administration.

Question: Did the Smithsonian contact the other Federal agencies interested in this research to determine if they would be willing to pick up some of the costs of the operation?

Answer: Three federal agencies are interested in aspects of SERC-Rockville research: the Department of Agriculture's Agricultural Research Service laboratory at Beltsville, Maryland; the Department of Energy; and the National Oceanic and Atmospheric Administration. There have been close professional links between Rockville and Beltsville, but no formal approach was made to have the Department of Agriculture support this research due to their budget exigencies and their own decision to deemphasize such research over a decade ago. The Department of Energy is also interested in part of the SERC research and is supporting by contract some of the work done by one of the scientists who will be moving from Rockville to Edgewater. As indicated in the answer to the prior question, the development of a collaborative program with the National Oceanic and Atmospheric Administration on the measurement of solar radiation is being vigorously pursued.

Research in Tropical Biology

Question: Increases are requested for the Museum of Natural History and for the Smithsonian Tropical Research Institute to launch two new research efforts at initial costs of $330,000 for work in the area of biological diversity in South America and $345,000 for the tropical forest initiative. Are any base funds being used to support these initiatives?

Answer: At the National Museum of Natural History (NMNH) there are no base funds specifically allocated to this program, which represents a major new thrust in the study of biological diversity in the arc of highlands surrounding the Amazon Basin in South America. About 40 of the Museum's scientists (about a third of the entire scientific staff) do research on plants and animals of this vast tropical region, but their work is not restricted to this region or coordinated as a program. Perhaps a half of their research time, on the average, concerns the study of biological diversity in this region of South America. To this can be added the half time of about an equivalent number of support staff. Further base support goes into maintaining the large plant and animal collections from this region, which are housed and curated by the NMNH. The requested increase will provide critically needed operation support for fieldwork, training and information exchange, so that the current work can be better integrated and focused.

The $345,000 requested by the Smithsonian Tropical Research Institute (STRI) for FY 1987 for the Tropical Forest Biology Initiative will provide an increased investment in forest biology research programs currently being undertaken on Barro Colorado Island. Base funds have supported the forest census project that serves as the foundation for this initiative. While base budget funds have provided a wealth of basic data on tropical forest biology, the new initiative will permit the expansion of that data base as well as the integration of the data base with applied studies, such as of forest regeneration. The requested increase will also permit the use of molecular techniques to elucidate unsolved problems about the origin and maintenance of biological diversity.

Question: What is the anticipated duration of these studies?

Answer: The threat posed by massive tropical destruction dictates an urgency to expand present activities at a more intensified rate. These two studies will enable the Smithsonian to conduct long-term research efforts in tropical biological diversity and the problems of the rapid alteration of the tropical environment caused by human pressure.

The Museum of Natural History's research will include the task of cataloguing and studying the tropical fauna and flora of 20 to 30 million species. It is expected that thousands of new plant species, hundreds of new animal species and tens of thousands of new insect species will be discovered. Because of the scope of this undertaking, it is anticipated that these studies will continue for more than ten years, and may need to continue indefinitely.

The STRI initiative involves intensive censusing and monitoring activity over a long-term time frame in order to ensure that research data are not affected by short-term phenomena. A major strength of this research is that it couples systematic work with ecological studies of long duration. By its very nature, the collection and analysis of these data must continue on an ongoing basis indefinitely.

Question: Will amounts above those requested in fiscal year 1987 be required to continue the projects?

Answer: The requested increase for NMNH's research on tropical biology will provide a minimum start-up budget, greatly reduced from initial draft requests. Although it would be possible to conduct a useful program at this minimal level indefinitely, the Museum expects to request incremental increases in future years. The task of documenting millions of species is enormous, requiring major continuing investment.

It is anticipated that additional funding above the level requested for FY 1987 will not be required to continue STRI's tropical forest biology initiative. Because these studies, however, represent part of a national effort to understand tropical biological diversity and its effects on the ecosystem of North America, such as the impact of tropical deforestation on hemispheric climatic changes, it may be prudent to expend some of these programs in the future.

Question: For the past several years the Smithsonian has sought substantial increases for equipment purchases. No additional funds are requested this year. Have you determined that the existing base is sufficient?

Answer: The condition of research equipment at the Institution's science bureaus has been a source of concern for a number of years. Many pieces of research equipment have been outmoded by recent technological developments. The productivity of our staff, especially new members trained in the use of modern equipment, has been severely impaired by the condition of the equipment. In FY 1984, efforts began to address these problems by a systematic approach of reviewing inventoried equipment for 1) present research needs, 2) physical condition, and 3) state of the art capability. Previously, equipment needs, particularly major items, were addressed only on an ad hoc basis. The results of our systematic review dramatically outlined the poor state of the Institution's research equipment, and the need to develop a rigorous cyclical program for replacement and upgrading. Recognizing the age of the many pieces of equipment, the Institution perceived a need to move expeditiously in developing a cyclical schedule to enhance the current bureau base for equipment. The schedule was designed so that within five years of its inception at each bureau, present inventoried equipment would be replaced or upgraded. Following the initial five year "crash" program, it was envisioned that an appropriate level of funding would be retained in each bureau's base for the future replacement of equipment on a regular basis. Funding for this program will continue to have a high priority in future years.

It is important to stress that equipment alone cannot sustain the research enterprise of any institution. The objective of the Smithsonian's equipment program is to build a sound infrastructure for research which has to be continually supplemented with personnel, travel support, supplies, and materials. Only with all these requisite parts in place can the Institution move its scientific programs forward. The nature of research cannot afford a static approach, thus equipment and program monies must go hand in hand. Therefore, the Institution anticipates continuing requests for equipment to develop a sufficient funding base, while seeking selective programmatic increases.

Automation

Question: Last year's budget sought additional funds for automation of history and art museums. The request was reduced by Congress and there is no request in the FY 1987 budget. What is the current position of the Smithsonian with respect to automation for history and art?

Answer: The application of automated systems to the Smithsonian's research, collections management, exhibition, public service and other programs has become an important factor in maintaining the Institution's leadership role in the museum and academic communities, both nationally and internationally. The development of the automated data processing capabilities throughout the Institution's museums and research bureaus, as well as the development of Institution-wide software systems, has been a budget priority since FY 1984.

In FY 1986, particular attention was devoted to providing adequate base levels of funding for automation at the Institution's museums, which traditionally had not been able to take full advantage of the applications of automated systems to their programs and many of which had no base funding available to establish the needed automated systems. Increases totaling $213,000 were provided in FY 1986 to further automation efforts in these bureaus: the National Museum of American History ($57,000); the National Museum of American Art ($27,000); the National Portrait Gallery ($20,000); the Hirshhorn Museum and Sculpture Garden ($22,000); the Center for Asian Art ($17,000); the Archives of American Art ($20,000); the Cooper-Hewitt Museum ($25,000); and the National Museum of African Art ($25,000). Funding for automation will continue to be a high priority for future years.

Hirshhorn Bequest

Question: An increase of $40,000 is requested to research and catalogue the Hirshhorn bequest of some 6,000 objects. In fiscal year 1984 the Smithsonian requested and Congress provided a base increase of $125,000 to research and catalogue the items in the bequest and to provide for collections storage. This year's justification, however, requests funds to "begin researching, photographing and cataloguing" the additions to the collection. It would appear that we have provided funds for this effort for the past three years, but that funds justified for such work have been used for other purposes and that now you are asking for additional support rather than using resources that have specifically been made available for this purpose.

Answer: In FY 1984, the Hirshhorn Museum and Sculpture Garden requested an increase of $200,000 "to support costs of an extended loan program to institutions throughout the country of works of art" from the Museum's collections as well as the works of arts that the Museum would receive as part of the Hirshhorn bequest. Congress appropriated $125,000 for this purpose. Although it was intended to use the majority of these funds in the first few years to prepare the bequest for exhibition both in Washington and elsewhere, the proposed loan program was not limited to the bequest but included the total holdings of the Hirshhorn. The Hirshhorn Museum expected to receive the works of art from the bequest in FY 1984, and $38,000 of the funding appropriated in FY 1984 was used (a) for travel to examine the bequest; (b) to purchase equipment for producing labels and other educational text; and (c) for a registrar to catalogue works on paper. When it became clear that the bequest would not pass to the Museum in FY 1984, the balance of the funds was reprogrammed to meet budget shortages elsewhere in the Institution. In FY 1985, Congress reduced the Hirshhorn Museum's budget request by $149,000, thus eliminating all funding available for this program.

The Hirshhorn Museum is requesting $40,000 in FY 1987 to help finance the incorporation of 6,000 additional works of art into the collection; all but three of these objects have now arrived. We intend to display some of these works of art in the Museum and make loans available to other museums but the extended loan program that was envisioned in FY 1984 has been eliminated from our current program.

Exhibition Bases for Smithsonian Museums

Question: According to the justification, an exhibition base of $1,200,000 has been established for the Sackler Gallery. Please provide the exhibition bases for the other history and art museums.

Answer: For FY 1986, the Federal exhibition bases for the other history and art museums are as follows:

Museum	FTE	$
National Museum of African Art	7	$1,174,000
National Museum of American Art	21	643,420
National Museum of American History	40	2,175,000
National Portrait Gallery	13	395,000
Cooper-Hewitt Museum	6	188,914
Hirshhorn Museum and Sculpture Garden	7	268,500
Anacostia Neighborhood Museum	6	[illegible],000

In comparing the exhibition base established for the Sackler Gallery with the exhibition bases of the other museums presented above, it is important to note that the Sackler Gallery will present changing exhibitions from its permanent collection, as well as objects from Asian Art collections throughout the world. Many of the collections to be displayed will include three-dimensional objects that require environmentally-controlled and security-protected installations. Precautionary measures for these objects, such as display cases with built-in humidification or dehumidification features and electronic security devices, add considerably to the exhibit production costs. The three-dimensional nature and delicacy of the objects also require custom-fabricated mounts or armatures to hold an object discretely and securely so that it can be more easily seen and appreciated by the public. In addition, transportation and insurance costs will be higher for those objects borrowed from art collections throughout the world. Because of these factors, the cost of installing exhibitions in the Sackler Gallery will far exceed those of an art museum where most of the works on display are paintings which are hung on walls and where security is provided primarily by guard staff.

Sackler Gallery

Question: The fiscal year 1986 request for the exhibition work was $1,105,000. What is the source of the remaining $95,000 that is now counted in the base?

Answer: The FY 1986 exhibition base for the Sackler Gallery ($1.2 million) includes $95,000 (received in FY 1985 to hire an exhibit specialist and to construct a case prototype) and $1,153,000, received in FY 1986 for exhibition expenses ($1,105,000) and to hire a woodcrafter, carpenter, painter's assistant and exhibition designer in the latter part of FY 1986 ($48,000).

Question: For the record, please provide separate object class breakdown's for the Freer Gallery and the Sackler Gallery for fiscal years 1985 through 1987.

Answer: The tables below provides the object class breakdowns for the Freer Gallery and Sackler Gallery for fiscal years 1985 through 1987. The FY 1985 data represents the final year-end actual totals; the FY 1986 data represents the current allocation for each Gallery; and the FY 1987 data corresponds to the FY 1987 budget request to Congress.

FY 1985 Actual Costs

Object Classification	Freer Gallery	Sackler Gallery	Total
11 Personnel Compensation	743.4	125.6	869.0
12 Personnel Benefits	84.5	19.2	103.7
21 Travel	0.0	6.8	6.8
22 Transportation of Things	0.5	1.0	1.5
23 Rent, Communications & Utilities	57.9	5.2	63.1
24 Printing & Reproduction	41.2	1.6	42.8
25 Other Services	57.4	41.0	98.4
26 Supplies & Materials	73.4	32.6	106.0
31 Equipment	85.8	61.6	147.4
Collections Acquisition	109.8	0.0	109.8
TOTAL	1,253.9	294.6	1,548.5

FY 1986 Allocation

Object Classification	Freer Gallery	Sackler Gallery	Total
11 Personnel Compensation	770.9	395.0	1,165.9
12 Personnel Benefits	96.3	49.0	145.3
21 Travel	0.0	17.0	17.0
22 Transportation of Things	0.0	0.0	0.0
23 Rent, Communications & Utilities	0.0	0.0	0.0
24 Printing & Reproduction	66.0	9.0	75.0
25 Other Services	25.1	813.0	838.1
26 Supplies & Materials	25.5	324.5	350.0
31 Equipment	22.4	228.5	250.9
Collections Acquisition	100.0	0.0	100.0
TOTAL	1,106.2	1,836.0	2,942.2

FY 1987 Congressional Budget Request

Object Classification	Freer Gallery	Sackler Gallery	Total
11 Personnel Compensation	755	832	1,587
12 Personnel Benefits	95	104	199
21 Travel	0	24	24
22 Transportation of Things	0	0	0
23 Rent, Communications & Utilities	30	38	68
24 Printing & Reproduction	72	183	255
25 Other Services	31	611	642
26 Supplies & Materials	57	911	968
31 Equipment	40	219	259
Collections Acquisition	104	0	104
TOTAL	1,184	2,922	4,106

Museum of African Art

Question: The fiscal year 1987 request for the Museum of African Art totals $3,342,000 and 55 positions, an increase of almost 100 percent in staff and an increase of 181 percent in funding compared to the fiscal year 1985 level. Are you convinced that the quality of staff can be maintained in view of such rapid expansion?

Answer: Yes. Of these positions, four are professional research positions related to curatorial and educational programs and great care is being exercised to ensure that those hired have the highest qualifications. The remaining positions include occupations such as: art handlers, clerical, exhibition support and design-related staff. These positions will also be filled with experienced, well-qualified applicants.

Question: What are the additional costs for fiscal year 1988 of annualizing the positions requested in fiscal year 1987?

Answer: The additional cost in fiscal year 1988 of annualizing the positions requested in fiscal year 1987 will be 1 workyear and $24,000, as shown below:

Costs to Annualize FY 1987 Positions

Position Title	# of Pos.	FY 1987 Budget		In FY 1988		Full Year Costs	
		FTE	$(000s)	FTE	$ (000s)	FTE	$ (000s)
Carpenter	1	1.00	24	0.00	0	1.00	24
Packer	1	1.00	19	0.00	0	1.00	19
Computer Asst.	1	0.25	7	0.75	18	1.00	25
Graphic Production Asst.	1	1.00	20	0.00	0	1.00	20
Exhibition Design Asst.	1	1.00	25	0.00	0	1.00	25
Art Handler	1	1.00	19	0.00	0	1.00	19
Painter	1	1.00	22	0.00	0	1.00	22
Asst. Curator	1	1.00	25	0.00	0	1.00	25
Secretary	1	1.00	20	0.00	0	1.00	20
Education Specialist	1	0.75	19	0.25	6	1.00	25
Total	10	9.00	200	1.00	24	10.00	224

Anacostia Neighborhood Museum

Question: What is the current annual lease cost of the Carver Theater?

Answer: The annual lease cost of the Carver Theater and its adjacent lot is $35,500, which has been paid from the base funding of the Anacostia Neighborhood Museum.

Question: Please provide a detailed explanation as to the proposed use of these rental funds once the new museum is completed.

Answer: It is anticipated that the leases of the Carver Theater and its adjacent lot will be terminated on March 1, 1987. In FY 1987, the resulting partial-year savings (approximately $21,000) will be used to equip and furnish the new museum facility at Fort Stanton Park. In FY 1988 and following years, the full-year savings ($35,500) will be used to enhance the research and exhibition capabilities of the Museum, including the purchase of exhibition production supplies and materials ($14,000); additional support for exhibition design, photographic, and audio-visual services ($11,500); and funding for contractual services for research and research travel for Museum staff ($10,000).

Museum Support Center Equipment

Question: The justification also contains an estimate of an additional $16 to $17 million in outyear costs to complete equipping of the MSC. Please provide a detailed explanation of these costs and indicate the inflation factor that is being used.

Answer: The estimated costs for completion of the storage equipment system for the MSC include: cabinets for the growth areas of the concrete decked portions in storage pods 2 and 4; a continuation of the self-supporting three level shelving storage system and the necessary utilities for Pod 3 growth areas for "wet" collections; and the required utilities and shelving storage and material handling components to enable the Institution to store collections in the high-bay area of Pod 4.

The total of the estimated costs for these three segments of the storage equipment, including an inflation factor of 3% per year is $16,881,000 if purchased on the basis of the funds requested in the Five Year Prospectus from FY 1988-FY 1991. These estimated costs were based on the final procurement costs for the initial portion of Pod 3 shelving and on the prices most recently provided for the storage cabinets for Pods 1, 2 and 4 by the contractor for the existing storage system contract. These estimated costs may vary by (1) actual bids received at the time of procurement; (2) the inflation rate in effect at the time of the bid for the city of the bidder; and (3) any change in the present schedule; the Institution is reviewing the appropriate schedule of procurement of the storage equipment system to fill the pods.

Question: What is your estimate of the costs incurred during this process in switching contractors and switching plans?

Answer: According to the General Services Administration (GSA), the general contractor's change of subcontractor for the design and production of the storage cabinets has not caused any change in the costs for the equipment, since the general contractor is obligated to perform under the contract at prices not to exceed those established in the change order for the concrete deck and cabinet system. Also according to the GSA, by using some existing storage cabinets worth about $1.3 million to offset the cost of cabinets originally planned to be procured under the contract, there has been no change in the net cost of the storage system as a result of the shift from racks to concrete decks.

Question: What is the current status of the proposed contract for the acquisition of storage cabinets for the MSC?

Answer: Over the past several months, the GSA's prime contractor, Davis Corporation, has continued efforts to locate a subcontractor for storage cabinets for the Museum Support Center. Meetings held with prospective subcontractors, Smithsonian, GSA, and the A/E firm of Metcalf/KCF have led Davis Corporation to Jamestown Metal, Inc. in New York which manufactures metal case work and equipment for hospitals, scientific laboratories and kitchens. After inspecting sample cabinets, drawers and shelves, project participants concluded that this firm has the capacity as well as the capability to produce the needed storage equipment on a reasonable time schedule and according to specifications. Although the alleged cost to manufacture the storage cabinets exceeds the amount in the contract, in response to GSA's directive, the General Contractor provided a plan of action on June 10 to complete the project. GSA accepted this plan in principle but disallowed any cost increases. The contractor has indicated he may pursue a claim to recover the alleged cost increase, as well as possible other claims as yet undefined by the contractor.

The Institution has retained a consultant to provide an independent assessment of the anticipated time and cost for the completion of this project.

Quadrangle Security Staffing

Question: Funds are requested for the Office of Protection Services to provide a total of 68 guards for the Quadrangle. What are the full-year costs of the additional positions requested in fiscal year 1987?

Answer: The full year costs of the positions requested in FY 1987 for the Office of Protection Services is 36 workyears and $589,000. An amount of 14.5 workyears and $222,000 will be required in FY 1988 to annualize the partial-year funding requested for FY 1987.

Space Rental Paid by Trust-funded Activities

Question: According to the justification, "rent" paid by Trust funded activities is used to offset commercial space rental by the Institution. For the record, please list the square feet occupied by the various trust activities and the "rent" paid for fiscal years 1983 through 1987.

Answer: The square footage occupied by the various Trust activities occupying Mall space and the rent paid for fiscal years 1983 through 1987 is shown on the table below.

Rental Costs and Square Footage Occupied
by Trust Funded Activities
FY 1983 - FY 1987 Est.

Trust Funded	FY 1983		FY 1984		FY 1985		FY 1986		FY 1987	
Activity	Cost	Square Ft.	Cost	Square Ft.	Cost	Square Ft.	Cost	Square Ft.	Cost	Square Ft.
SI Magazine	$110,200	6,000	$135,500	6,000	$126,000	6,000	$140,900	6,000	$153,100	6,000
Nat'l Assoc.	57,000	3,000	66,800	3,000	63,000	3,000	92,200	6,700 /2	171,000	6,700
Res. Assoc.	95,000	5,000	111,200	5,000	105,000	5,000	148,000	10,200 /2	260,300	10,200
Bus.Mgt.Ofc.	17,100	900	20,000	900	18,900	900	21,200	900	25,000	900
Concessions	6,800	360	8,000	360	7,600	560	13,200	560	14,300	560
Parking Ofc.	4,600	240	5,400	240	5,000	240	6,900	420 /3	10,800	420
TOTAL	290,700	15,500	346,900/1	15,500	325,500/1	15,700	422,400	24,780	632,500	24,780

/1 Auxiliary activities that occupy space on the Mall are charged a per-square-foot cost based on the projected cost of space at L'Enfant Plaza. Initial rent projection for FY 1984, which anticipated the same drastic increase as experienced in the two preceding years, substantially exceeded the actual per-square-foot cost of L'Enfant space. This resulted in a higher rental payment by the auxiliary activities in FY 1984 than in FY 1985.

/2 Reflects additional space acquired with the move of the National Associate and Resident Associate programs to new facilities in the Quadrangle during FY 1986. The FY 1986 rental cost is estimated on partial-year use of the new facilities.

/3 Represents additional space acquired with the move of the Parking Office to a new location in the Smithsonian Institution Building during FY 1986. The FY 1986 rental cost is estimated on partial-year use of the new location.

Smithsonian Horticultural Costs

Question: It is proposed that six positions and over $200,000 annually be provided to maintain the Quadrangle gardens. Please provide information on horticultural expenditures at other Smithsonian museums for comparison.

Answer: The Office of Horticulture provides horticultural services to all of the Smithsonian's museums and support facilities through its Ground Management Division and its greenhouse - nursery complex located at the United States Soldiers' and Airmen's Home (36 workyears and $1,056,000). Information on actual horticultural expenditures at individual museums is difficult to calculate because supplies, materials and equipment are purchased centrally to be used as needed in the different facilities and staff members with specialized knowledge may provide support for several museums.

In addition, comparison between current horticultural services for the other Smithsonian facilities and the services required for the Quadrangle must take into consideration the unique nature of the Quadrangle gardens, designed as three distinctly different types of gardens -- a central Victorian style garden flanked by Oriental and Persian gardens -- planted on top of the roof of the facility. The lack of a natural watertable, combined with the large size, intense development and demanding requirements of the plantings in the Enid A. Haupt Garden, sets it apart from other horticultural sites maintained by the Institution. Significant elements of the garden will include a large embroidery parterre garden; rare specimen trees, shrubs and plants requiring continual monitoring, grooming, and horticultural management; an extensive system of walkways and ornamental fountains to be cleaned daily; Victorian lampposts fitted with hanging baskets requiring regular maintenance; and the restoration, installation, and upkeep of a major collection of antique garden furnishings. In addition, the Office will be responsible for the care and regular rotation of hundreds of interior plants in the entrance pavillions, reception areas, and museum galleries throughout the Quadrangle complex.

Building Management Costs of Smithsonian Museums

Question: A total of 44 positions are proposed for the Quadrangle building management division. Please provide information on the building management of other museums for the purposes of comparison.

Answer: Information on building management of other museums is provided in the table below:

Museum	FTE	$
National Air and Space Museum	83	1,840,000
National Museum of African Art	2	50,000
National Museum of American History	53	1,019,000
National Museum of Natural History	60	1,104,400
Cooper-Hewitt Museum	9	448,135
Hirshhorn Museum	24	587,500
Anacostia Neighborhood Museum	1	29,000
National Museum of American Art; National Portrait Gallery; Renwick Gallery; and Barney House (AA/PG Bldg. Mgmt. /1	37	896,000

/1 The AA/PG building management staff is responsible for maintenance and service to the American Art/Portrait Gallery Building (248,780 sq. ft.) which houses the National Museum of American Art, the National Portrait Gallery, and the Archives of American Art; the Renwick Gallery (21,317 sq. ft.); and the Barney Studio House (2,596 sq. ft.).

In comparing the Quadrangle Building Management unit with information on building management of other museums, it is important to note that the building management unit of the Quadrangle will provide a wide variety of support services to all of the organizations to be located in the Quadrangle, including the Sackler Gallery of Art, the National Museum of African Art, the International Center and related activities, the Traveling Exhibition Service, and the National Associate and Resident Associate programs.

Arts & Industries Building

Question: Has a location been found for construction of a facility to house the central computer?

Answer: At the time of the submission of the FY 1987 budget to Congress, it was anticipated that the computer facility would be relocated to another building. However, as the result of studying possible alternative locations for the facility, it was determined that none of these other locations could meet all of the following criteria: the amount of space required for the computer facility (approximately 6,600 square feet); the configuration of space suitable for the requirements of the technical center and related office space; a central location convenient to the major computer users on the Mall; and the ability to complete the relocation of the facility prior to the start of the exterior renovation work above the old computer facility. It was, therefore, decided that the best course of action was to keep the computer facility in its present location.

During the exterior renovation of the Arts and Industries building, however, the portion of the roof above the computer facility will have to be removed. In order to allow this work to proceed while the computer facility continues to operate, a contained environmental control structure will be built within the computer facility to maintain the strict environmental controls required by central computer operations. At the same time, the exterior work will necessitate the removal of the HVAC equipment for the computer facility that had been installed on the roof; the new HVAC system will be designed to operate independently of the system for the rest of the building, ensuring greater control of the environmental conditions within the computer facility. The funding requested in FY 1987 will be used to ensure the proper environmental conditions for the computer facility during the renovation of the building and to provide the permanent HVAC system dedicated to the computer facility.

Question: Please provide detailed information on renovation plans for the A&I building including a description of any activities to be relocated or which would receive significantly enhanced space. Include a description of the work done since fiscal year 1984 and the associated costs.

Answer: The Smithsonian is currently reviewing the recently completed space study of the A & I Building. Until decisions have been made about the future use of the building, detailed information on renovations cannot be developed. It is anticipated, however, that a major component of the renovation will be the replacement of the outmoded HVAC system to provide better overall climatic conditions and more efficient operation. Fire protection improvements will also be made as part of the renovation project.

Work accomplished at the A & I Building from FY 1984 to date has primarily been associated with the exterior repair and renovation program, including roof replacement, installation of new windows and sashes, brick and masonry restoration, and gutter and downspout replacement. Other work has been accomplished during the period related to the safety and operation of the building, such as asbestos removal, fire protection, HVAC and electrical repairs, and minor alterations. From October 1, 1983 through April 30, 1986 R & R appropriations in the amount of $6,234,313 have been expended for work at the A & I building. Of the total, $6,092,724 was for exterior work and $141,589 for other work.

Freer Gallery Renovation

Question: Does the amount requested for the Freer renovation include equipment and furnishing costs?

Answer: The $2,500,000 requested includes the cost of finished space with mechanical and electrical equipment. The cost of furnishings was not included in the estimate.

Effects of the FY 1986 Deficit Control Act on R&R Projects

Question: Which projects requested in the FY 1986 budget were deferred due to the Deficit Control Act reductions?

Answer: The Balanced Budget and Emergency Deficit Control Act required reductions in the Restoration and Renovation account totalling $473,000. Funding for four R & R projects was reduced as a result: 1) space moves related to the exterior renovation of the Arts and Industries Building (a reduction of $150,000); 2) interior relocations in conjunction with the Arts and Industries Building master space plan (a reduction of $150,000); 3) the STRI master plan (a reduction of $73,000); and 4) the replacement of windows in the Smithsonian Institution Building (a reduction of $100,000).

STRI Construction

Question: Has the STRI project been authorized?

Answer: Legislation to authorize construction of facilities at STRI has been approved by the House and is currently pending in the Senate. H.R. 1483, a bill to authorize construction of facilities at STRI and the Fred Lawrence Whipple Observatory, was approved by the House of Representatives on October 7, 1985. The Senate Committee on Rules and Administration held hearings on bill S. 581, the companion measure in the Senate, on July 24, 1985 and reported the bill out of Committee on November 19, 1985. The bill is presently awaiting floor action.

Question: Are the full costs of furnishings and equipment included in the estimate?

Answer: The projected cost of the Tupper Research and Conference Center includes the cost of furnishings and built-in and other equipment necessary for the operation and maintenance of the Center. It does not, however, include money for portable laboratory equipment, much of which will be transferred from the facility it will replace.

Smithsonian Educational Programs

Question: How is the Smithsonian Institution fulfilling its mandate to "diffuse knowledge" and information? What are the individual bureaus/museums, not auxiliaries such as Resident Associates or National Associates, offering in the form of special education programs and events -- seminars, lectures, symposia? What kinds of events is the Smithsonian offering that are geared to the general public and what dollar amount is spent on organizing and publicizing these events? How many personnel does the Smithsonian have who deal directly with public programs (and this figure should not include such personnel as public relations officers -- just those staff whose job descriptions deal specifically with public programs.)

Answer: Education programs of the Institution offer enormous variety in content and form, ranging from in-depth, scholarly symposia to activities for fun and enjoyment and reach all ages from young children to senior citizens. They include lectures and workshops; special programs and performances related to museum exhibitions; guided tours by trained docents; and radio, television, and motion picture programs. These programs, sponsored by the individual museums and by centralized offices including Elementary and Secondary Education, Symposia and Seminars, and Fellowships and Grants, are highlighted in a monthly Smithsonian calendar of events published by the Office of Public Affairs and in brochures published by the individual museums which are distributed widely to the media and interested individuals and organizations, including both the House and Senate Appropriations Committees. Most of these events are presented free of charge to the public.

Funding for these programs is provided by each museum and office and may vary from program to program and from year to year. Especially noteworthy education programs include HERPlab, BIRDlab, and ZOOlab at the National Zoo; the "Wings and Things" open house at the Garber Facility of the Air and Space Museum; the "Discovery Room" at the Museum of Natural History and "Discovery Corners" at the Museum of American History; "conversations with artists" at the Museum of American Art; "Portraits in Motion" at the National Portrait Gallery; and "The Lunch Box Forum" at the Anacostia Neighborhood Museum. The Visitor Information and Associates' Reception Center provides a range of centralized information and assistance programs to the general public, including the staffing of information desks in ten museums seven-days-a-week, and works with the individual museums in developing better visitor services support for their education program. Additional material relating to the specific education programs at the individual museums has been submitted to the Committee.

In addition to the base funding of each museum and program devoted to these educational programs, the Institution requests additional funding, as appropriate, to provide special educational programs and events to commemorate significant historical anniversaries. For FY 1987, program increases for the Offices of Elementary and Secondary Education and Symposia and Seminars are requested for educational programs to commemorate the Bicentennial of the signing of the U.S. Constitution. During the next six years, the Smithsonian will develop a wide range of public and scholarly programs and activities to commemorate the Quincentenary of the voyage of Christopher Columbus to the New World.

Question: Is the Smithsonian Institution's federally mandated directive being reflected in its programming budget allocations -- is there adequate staffing to produce the necessary and proper education and programming events? Does each exhibition, or quarterly budget provide for programming events? What would you say is the percentage of each bureau's budget for programming, publications, curatorial, acquisitions, conservation, museum maintenance, personnel.

Answer: For each major event at the Smithsonian the respective museum Director and staff, along with assistance from various Smithsonian support and program units, determine the kind of ancillary activities that are appropriate and affordable. No set percentage of a bureau's budget is used for these activities but, in fact, would vary from year to year depending on the major event planned and the selected programs and activities associated with it. Since units receive allocations annually and scheduled events vary from year to year, the unit is unable to allocate a standard percentage of its budget specifically for ancillary programs. Additionally, the fiscal climate may have a bearing on programmatic planning. For example, as a consequence of the Gramm-Rudman-Hollings reductions for FY 1986, bureaus experienced a tremendous effect in the "other objects of expense" portion of their budgets--greatly affecting ancillary activities.

Question: What is the Smithsonian doing in terms of educational programs for pre-school, elementary and secondary students? What portion of the Smithsonian's budget that is appropriated by Congress is used to serve school children? What are you doing to reach a broad national audience?

Answer: All of the museums have educational programs that include such activities as tours for elementary and secondary school groups, art workshops, publications series for school children, free lectures, seminars, and films and teacher workshops. The Office of Elementary and Secondary Education (OESE) is the office that provides non-Institutional programming for elementary and secondary schools. These programs include workshops and seminars for teachers, publications and audio-visual materials for teachers and students, and a summer intern program for high school students. The intern programs gives high school students an opportunity to work behind the scenes with curators and museum professionals. OESE also provides curriculum kits for fifth and sixth graders and high school students which teach students creative thinking skills, what museums are and how to develop a classroom museum, and how to use primary and secondary research materials. A full description of this program is provided on Page 174 of the Smithsonian's FY 1987 Congressional Budget Justification.

Question: The recent recommendation made by the Bureaus' Directors to the Secretary submits three items as priority commitments for the Smithsonian -- research, conservation of holdings and acquisitions. The roles of outreach, educational programs and fundraising are relegated to a supportive position. Please explain these recommendations.

Answer: A large number of individuals and groups have been and continue to be involved in thinking about actions that might be necessary should further budget reductions be required. In commenting on overall philosophy that might be adopted by the Institution to guide decisions, the Council of Bureau Directors agreed that the essential core of the Smithsonian's program work encompasses preservation, collections and collecting, and research. While recognizing their importance, lower budget priority might be given to outreach and educational activities. Other sectors of the Institution argue vigorously for attentiveness to balance. This healthy dialogue will continue and form the basis for action should difficult budget decisions be necessary. Fundraising is a supportive, not programmatic, activity.

National Museum of American Art

Question: Remembering the success of two regional shows held at the National Museum of American Art during the past six years -- ones from Idaho and Appalachia -- what is on the exhibition calendar at that museum, and other museums, for similar regional shows? The Taos/Santa Fe exhibition is not really a regional show since the artists represented in that exhibition were from the East and only settled in Taos/Santa Fe.

Answer: There are no regional shows currently on the exhibition calendar for the National Museum of American Art; however, the Smithsonian Institution Traveling Exhibition Service plans to circulate four regional shows:

> The Santa Fe Trail Series: Photographs by Joan Myers: Santa Fe photographer, Joan Myers documents traces of this great 19th-Century wagon trade route between Franklin, Missouri and Santa Fe, New Mexico.
>
> Newcomb Pottery: An Enterprise for Southern Women, 1895-1940: Explores the ceramics and crafts produced at Newcomb College, Tulane University in New Orleans, one of the important centers of the Arts and Crafts Movement in America and the only major art pottery in the South.
>
> Anasazi World: A photo-panel exhibition exploring the relationship between Anasazi (Ancient Ones) and modern day Pueblo Indian communities of the American Southwest and presents new archaeological findings from Anasazi sites.
>
> Hawaiian Quilts: An exhibition of 22 quilts exploring this continuing folk art tradition. The beautiful craftsmanship of these painstakingly handstitched textiles is augmented by descriptions of the motifs, explanations of the pattern names and symbols, and comments by the quiltmakers.

Question: The National Museum of American Art has been soundly criticized by the Washington Post in recent months. On one occasion, the Museum provided personnel to move a piece of art in a private residence. What are you doing to ensure that taxpayer dollars are not going to fund these types of activities? While the Post only represents one reviewer's opinion, such criticisms as NMAA being the "Smithsonian's dullest museum" and "NMAA, whose curatorial policies mystify the viewer, has baffled us again" are troubling. Is NMAA moving away from serving the general public to only providing services to the elite -- the researchers, the academicians and art scholars? How many people visited the NMAA last year as opposed to its sister museum, the National Portrait Gallery? What are NMAA and the Museum of American History doing to serve the general public's taste and to bring American art to the American people?

Answer: Since the appearance of the two Washington Post articles referred to above, the same Post reviewer has written three other articles which glow in their praise of the following NMAA exhibitions and their curatorial direction: "Art in New Mexico" was extolled and "kudos" offered to its curators (Post, March 8); "Frank Lloyd Wright and the Johnson Wax Building" at the Renwick was lauded as "exemplary" (Post, April 26); and the "1986 Members Exhibitions of the Washington Print Club" was described as "a treat" and its NMAA curator as a "skillful conoisseur" (Post, May 21). The NMAA is definitely not moving away from its role of serving a broad and diverse public. The mandated Gramm-Rudman-Hollings cut of $187,000 in the Museum's FY 1986 budget did, however, necessitate the elimination of one exhibition and the reduction in scope and programs for others. NMAA does not perceive its mission simply as "serving the general public's taste, " but rather as exploring new directions, juxtaposing different historical contexts and stimulating new appreciation of American art. One of NMAA's primary means of bringing American art to the American public is by touring its exhibitions throughout the United States. Not only will "Art in New Mexico" travel to three other locations, but eighty-one of the Museum's very finest works are currently on tour to five major American cities as "Treasures of the NMAA," with all costs underwritten by a generous corporate sponsor. Additionally, exhibitions of Anni Albers' textiles and graphics, of contemporary photography, of 19th century Afro-American painting, and of modern design in the service of advertising have been circulated nationwide by the NMAA during the past year.

Separate attendance figures for NMAA and NPG are not kept because visitors are encouraged to move freely between the two museums on all three levels of the building housing them; nor is it possible to ascertain a visitor's ultimate destination in the building merely by the door he chooses to enter. The sculpture was moved in a nonfederal vehicle on a lunch hour for a patron whose continued donations of artworks to NMAA the Museum wishes to encourage; this courtesy was nevertheless the rare exception, rather than the rule.

While working in the context of a larger systematic program of historical research and exhibition of the Museum's collections, The National Museum of American History is concerned with its relevance to the general public's interests and tastes. Examples of this are quickly seen in the permanent exhibition, "A Nation of Nations" -- a tribute to the contributions of America's diverse ethnic makeup; as well as in temporary exhibitions such a "M*A*S*H" and "Hollywood," which have had tremendous popular appeal. Upcoming exhibitions include one on computer technology which will feature devices able to interact with the public, both to provide information and survey public opinion. NMAH also devotes several spaces to changing exhibitions, that address a variety of subjects with unusual public appeal, such as a planned exhibition of quilts. Special mention must also be made of the Museum's extensive educational activities and programs of performing arts which are in direct response to public interest. Overall, NMAH hopes to serve public taste by weaving the theme of the ordinary man and his relationship to technology and society throughout the Museum's exhibitions. This can be seen in the titles of such exhibitions as, "Everyday Life In the 18th Century" and "We the People." NMAH brings art to the American public in such diverse forms as ceramics and glassware, fine furniture, folk art, costumes, textiles and needlework, costume jewelry, and, in general, through the aesthetic appreciation of the myriad objects that make up the Museum's collections. In addition, NMAH brings the performing arts to the public through exhibitions such as "A Nation of Nations," "M*A*S*H," and "Hollywood," as well as through its varied and exciting performing arts program of activities, mentioned above.

Renwick Gallery

Question: The Renwick Gallery has some of the best exhibition space in Washington and it has a wonderful location. Does the Smithsonian feel the Renwick is being utilized to its greatest potential? If not, what can be done to enhance this gallery so that it better meets the needs of the public? Does the Smithsonian intend for the Renwick to remain under the auspices of the NMAA, to make it independent or to be used at the Secretary's discretion? What are the long range exhibition plans at the Renwick?

Answer: The Renwick has a distinguished reputation as an exhibition center for American crafts, design and decorative arts. Recently the Smithsonian's Assistant Secretary for Museums has appointed an advisory committee of four distinguished outside individuals to examine the role of crafts at the Smithsonian. Although the specific use of the Renwick building is a separate issue, the future direction of crafts at the Smithsonian is a broader concern which should be resolved first. In the meantime, the Renwick's current programs will continue under the auspices of The National Museum of American Art.

Fundraising at the Smithsonian

Question: What are the plans for fundraising? What proposals or actions has the Office of Membership and Development taken, or is taking, in this period of belt-tightening? What is the project figure for the next five years?

Answer: Fundraising at the Smithsonian is being decentralized to increase the reach of individual museums and offices to prospective donors individual, corporate and foundation. The Office of Membership and Development will provide research, record-keeping and coordination for museum or office-initiated projects and will continue to be responsible for all pan-Institutional projects. The newly formed Development Committee will establish project priorities, oversee development practices generally and arbitrate any conflicts which may arise.

When this new system is entirely in place and functioning smoothly, it can be expected that the income from restricted gifts for museum and office support will exceed recent levels of $6 - $8 million annually.

Questions Submitted by Senator Charles McC. Mathias, Jr.

Question: Since the promotion of research is one of the Smithsonian's stated top priorities, why does the Smithsonian want to close the Smithsonian Environmental Research Center facility at Rockville (SERC-Rockville), an internationally recognized laboratory that is highly regarded by the scientific community? Outside reviews were conducted in 1979 and 1982. The 1979 review state, "Clearly, it (SERC-Rockville) is one of the best (laboratories) in the country." The 1982 review concluded that the science at SERC-Rockville was of sufficient quality and importance that the Smithsonian should move the laboratory intact to the Edgewater location and build a new facility at Edgewater for the entire SERC.

Answer: Following the 1982 external review of SERC, the Smithsonian undertook a feasibility study to construct a new facility on Smithsonian property at Edgewater, Maryland. Over an 11-month period, engineers and architects explored possible sites for such a new laboratory. The study showed that a new entrance road, a bridge, and a completely new waste treatment system would be needed in addition to the new laboratory building. As the Edgewater tract is a nature reserve, there were additional constraints on where a new laboratory could be built. The cost to construct this facility was estimated to be $21,000,000 in addition to the costs incurred for design and construction contract documents by the architect/engineers, construction management costs, and construction cost escalation. The Smithsonian Institution made the administrative decision not to go ahead with requests for authorization and appropriation for this facility as other new construction had higher priority. The decision to close SERC-Rockville was an administrative decision made on the basis of redirecting research activities into other areas of higher priority to the Institution.

Question: Has the Smithsonian carefully considered the impact that its decision to close the SERC-Rockville laboratory will have on the scientific community? SERC-Rockville is unique, not just among Federal laboratories but also when compared to any other laboratory in the world, both in the breadth of its plant photobiological research and also as a laboratory where long-term projects can be pursued that would be difficult to fund at universities. At a time of increasing interest in experimental plant science, does it make sense for the Smithsonian to eliminate nearly one-third of its plant scientists and virtually all of its laboratory-oriented experimental plant science?

Answer: The impact of closing the Rockville facility was indeed considered very carefully and two long-term (10 years or more) projects were transferred to SERC-Edgewater and one to NOAA, at their Rockville headquarters. The Smithsonian does not intend to eliminate all its long-term plant science research but rather redirect the assets of SERC-Rockville to other bureaus of the Institution where plant science will continue to be conducted. During the remainder of the FY 1986, and into FY 1987, the Institution will carefully scrutinize its existing biological research activities and review the various external options such as collaborative programs with universities, and internal options for redirecting SERC-Rockville monies in FY 1988. The results of these processes which will be aimed at strengthening our biological program with available resources will be communicated promptly to the Congress in the FY 1988 Budget Request.

Question: Is it proper for the Smithsonian to close a productive laboratory that was started 57 years ago without first conducting a thorough outside review? Despite the favorable conclusions of the 1979 and 1982 reviews, we feel it would be appropriate to appoint a committee of top experts in the field to conduct a new review before taking the drastic step of closing the facility.

Answer: The decision to close the SERC facility at Rockville followed a series of external and internal reviews from 1979 to 1986 to assess the scientific direction of the research program at Rockville, and its place and future direction within the broader framework of the Institution's overall biological program. The reviews generally upheld the scientific quality of the research being done, but pointed out that the laboratory was relatively isolated in the context of the broader biological sciences and could be best served by integration into other existing research settings. The reviews urged that such long-term data collecting as solar and CO_2 monitoring, including research on CO_2 effects on marsh grasses, be continued by the Smithsonian and the Institution proposes to do so by transferring the programs to other of our facilities.

Question: Why has the Smithsonian decided to close the SERC-Rockville laboratory in late 1986 when the Smithsonian holds a lease on the building until January 31, 1990 at an extremely favorable rate of $3.50/sq. ft., and could probably extend the lease for at least an additional five years at an estimated rate of $10/sq. ft.?

Answer: The decision to close SERC-Rockville was based on the Institution's determination that this action would strengthen its research capabilities by redirecting existing funds into other high priority areas of Smithsonian research competence. The fact that the facility is leased by the Institution while playing a contributing role in the decision-making process, was not a major criterion in this decision.

Question: Does it make sense for the Smithsonian to close SERC-Rockville (without first conducting a careful outside review) when it has made considerable financial commitment to the laboratory in recent years? Following the recommendation of the 1982 review that SERC-Rockville move intact to the Edgewater location, the Smithsonian spent well over $100,000 (it may have been closer to $300,000) on a feasibility study of the Edgewater site by the Cooper-Lecky/Urban & Graham Joint Venture. Just this past year a greenhouse costing more than $500,000 was completed, and in 1985 alone more than $300,000 was spent on specialized research equipment.

Answer: The feasibility study to move the SERC-Rockville laboratory to Edgewater was conducted in February 1984, prior to the most recent of the Institution's reviews of the scientific directions of its research programs, which resulted in the decision to close the facility. The greenhouse, planned for more than a decade, will be moved to another Smithsonian facility when the Rockville building is vacated. The specialized equipment recently purchased at Rockville will move with the professional staff when they relocate or be transferred to other Smithsonian laboratories for use by other researchers.

Question: For the past several years the Smithsonian has sought substantial increases for equipment purchases. No additional funds are requested this year. Have you determined that the existing base is sufficient?

Answer: The condition of research equipment at the Institution's science bureaus has been a source of concern for a number of years. Many pieces of research equipment have been outmoded by recent technological developments. The productivity of our staff, especially new members trained in the use of modern equipment, has been severly impaired by the condition of the equipment. In FY 1984, efforts began to address these problems by a systematic approach of reviewing inventoried equipment for 1) present research needs, 2) physical condition, and 3) state of the art capability. Previously, equipment needs, particularly major items, were addressed only on an ad hoc basis. The results of our systematic review dramatically outlined the poor state of the Institution's research equipment, and the need to develop a rigorous cyclical program for replacement and upgrading. Recognizing the age of the many pieces of equipment, the Institution perceived a need to move expeditiously in developing a cyclical schedule to enhance the current bureau base for equipment. The schedule was designed so that within five years of its inception at each bureau, present inventoried equipment would be replaced or upgraded. Following the initial five year "crash" program, it was envisioned that an appropriate level of funding would be retained in each bureau's base for the future replacement of equipment on a regular basis. Funding for this program will continue to have a high priority in future years.

It is important to stress that equipment alone cannot sustain the research enterprise of any institution. The objective of the Smithsonian's equipment progam is to build a sound infrastructure for research which has to be continually supplemented with personnel, travel support, supplies, and materials. Only with all these requisite parts in place can the Institution move its scientific programs forward. The nature of research cannot afford a static approach, thus equipment and program monies must go hand in hand. Therefore, the Institution anticipates continuing requests for equipment to develop a sufficient funding base, while seeking selective programmatic increases.

Question: Why is the Smithsonian unwilling to transfer any of the research positions to other units within the Institution? There is space that could be made available to members of the SERC-Rockville staff at both the Smithsonian Environmental Research Center at Edgewater and at the Dept. of Botany of the Museum of Natural History (at the Museum Support Center in Silver Hill). The scientific staff at SERC-Rockville constitutes a valuable resource with many types of expertise that would prove very valuable to other scientists at the Smithsonian.

Answer: The Smithsonian has transferred two research programs to SERC-Edgewater and one to the Office of the Assistant Secretary for Research as a means to carry on high priority programs from SERC -Rockville under new scientific and administrative direction. As the Institution explores new directions for its biological programs, consideration will be given as appropriate to the existing Rockville scientific staff.

Question: Why did the Smithsonian decide to move up the closing date to November 22, 1986? When we were first informed of the closing on February 2, 14,1986, we were told the laboratory would close sometime in 1987, most likely in the second half of the fiscal year. The announcement on March 24, 1986 that the laboratory would close on November 14, 1986 came as a shock. It is already too late for most academic jobs starting in the fall of 1986. The new closing date of November 14, 1986 means that the scientific staff will not be able to afford to wait for academic jobs starting in the fall of 1987. Therefore, we would urge that the very least the Smithsonian agree to delay the closing date by 6-12 months to give the scientific staff a realistic chance to compete for academic positions.

Answer: The SERC-Rockville staff were told on February 14, 1986 that the facility would close in FY 1987 and on March 1 that the date would be November 22, 1986, giving them nine months to seek alternate employment. The Institution remains optimistic that most of the more than 35 technical and clerical staff will be able to find new positions in other bureaus of the Smithsonian before the closure date, under a priority placement program. Current plans call for 2 scientists to transfer their research from SERC-Rockville to SERC-Edgewater, accompanied by at least 3 technicians. One scientist and 3 technicians will be transferred to the Office of the Assistant Secretary for Research to continue the development of instruments for measuring solar radiation in collaboration with the National Oceanic and Atmospheric Administration. One scientist will continue his research at the University of Pittsburgh. At least 2 scientists are planning to retire and the remaining 6 scientists are negotiating with other institutions. The Smithsonian is certainly ready to be flexible in helping these individuals make future employment arrangements.

Question: Has the Smithsonian carefully considered the possible damage to its reputation within the scientific community that would develop if SERC-Rockville is closed on November 22, 1986 and as a result some or all of the senior scientific staff are forced to leave scientific research? Articles have recently appeared in both Nature and Science about the decision to close SERC-Rockville and criticism has been expressed concerning the Smithsonian's decision to move the closing date up to November 1986. Closing SERC-Rockville this fall may save money in the short run, but if, as a result, the Smithsonian gains a reputation as an unreliable place to work, it may be more difficult for the Smithsonian to attract good scientists in the future and this damage to its reputation may carry a substantial cost. If, on the other hand, the Smithsonian attempts to find a new home for SERC-Rockville during the next few years, criticism within the scientific community may be significantly diminished.

Answer: The Institution carefully considered all the consequences of closing the SERC-Rockville laboratory and reached what it considered to be a sound and justifiable decision. It recognizes fully the personal hardships that might follow the closure and is fully prepared to ameliorate them whenever possible. The Institution has set up a specific priority placement program in order to further assist SERC-Rockville employees in seeking alternative employment within the Smithsonian.

QUESTIONS SUBMITTED BY SENATOR JAKE GARN

Smithsonian Restaurant Facilities

Question: Why does the Smithsonian insist on using inside financing for restaurant facilities instead of private capital as encouraged by the Reagan administration?

Answer: As indicated in Dean Anderson's letter to Senator McClure dated May 7, 1986, economic analysis indicates that the Institution stands to gain significant additional concessions revenue by financing the Air & Space restaurant itself. When comparing previous funding proposals by an outside vendor with the current RFP's now "on the street", the Institution could net more than $50,000,000 in additional concession fees even after paying for the new facility.

Question: Has the restaurant been designed and priced? How much will it cost to build? Have bids been obtained?

Answer: The Institution's architects are in the process of finalizing the detailed plans for the design owned by the Smithsonian which has approval from the Fine Arts Commission. When these plans are completed, construction bids will be sought.

Question: Under current RFP proposal, what will happen if you receive a 25% bid that doesn't work out and how can you even turn down a bid of that magnitude from a reasonably qualified bidder.

Answer: The RFP is also specific as to the term of the contract - four years with two three-year options to renew. Thus, if a chosen vendor does not perform appropriately, that contractor can be terminated at the end of the first four-year period, or sooner if performance warrants termination for cause.

Question: Is the employee discount in your public restaurants disclosed in the RFP so that bidders can make allowances for it?

Answer: Yes. Page 22 of the Proposed Concessions Agreement that accompanies the RFP details employee discounts in public facilities as follows: "...all persons possessing an official discount of thirty percent (30%) on the purchase price of all food and nonalcoholic beverages sold by the Contractor in the public facilities ..."

Question: How much of a factor is quality of operations in the bid process?

Answer: As noted above, the evaluation criteria are set forth in the RFP. Three of the five criteria deal specifically with quality of operations. Note particularly page 24 of the South Side RFP delivered to Senator McClure on May 7th.

SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee will stand in recess until May 15 at 2 p.m., at which time we will review the fiscal year 1987 budget request for the Fossil Energy Program.

Thank you very much.

[Whereupon, at 3:30 p.m., Thursday, May 8, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, May 15.]

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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

TUESDAY, MAY 20, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2 p.m., in room SD–192, Dirksen Senate Office Building, the Hon. James McClure (chairman) presiding.

Present: Senator McClure.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH RESOURCES AND SERVICES ADMINISTRATION

INDIAN HEALTH SERVICE

STATEMENT OF DR. EVERETT R. RHOADES, DIRECTOR

ACCOMPANIED BY:

- DR. EDWARD D. MARTIN, ACTING DEPUTY ADMINISTRATOR, HEALTH RESOURCES AND SERVICES ADMINISTRATION
- MILBURN H. ROACH, ACTING ASSOCIATE DIRECTOR FOR ADMINISTRATION AND MANAGEMENT, INDIAN HEALTH SERVICE
- BILL PEARSON, ACTING ASSOCIATE DIRECTOR, OFFICE OF ENVIRONMENTAL HEALTH AND ENGINEERING, INDIAN HEALTH SERVICE

PREPARED STATEMENT

Senator MCCLURE. The subcommittee will come to order.

This is the time scheduled to review the budget estimates for the Indian Health Service. The fiscal year 1987 estimates for the Indian Health Service totals $722,378,000, a decrease of $142,481,000 below fiscal year 1986 appropriations to date. Of the amount provided for the current year, $10,896,000 is sequestered.

Dr. Rhoades, we again welcome your appearance before the subcommittee. If you would introduce your associates who may be assisting you today, we will proceed directly to the questions.

Your submitted statement will be placed in the record at this point.

[The statement follows:]

STATEMENT OF DR. EVERETT RHOADES

I am Dr. Everett Rhoades, Director of the Indian Health Service. I am accompanied by Dr. Edward Martin, Acting Deputy Administrator of the Health Resources and Services Administration and from the Indian Health Service, Mr. Milburn Roach, Acting Associate Director for Administration and Management, and Mr. Bill Pearson, Acting Associate Director, Office of Environmental Health and Engineering. We are pleased to be here today to discuss with you the Fiscal Year 1987 budget request for Indian Health programs.

The Indian Health Service (IHS) is the Federal bureau charged with administering the principal health program for American Indians and Alaska Natives. The goal of the IHS is to raise the health status of Indian and Alaska Native people to the highest possible level. Its mission is threefold: 1) to provide and/or assure the availability of high quality comprehensive, accessible health services; 2) to provide increasing opportunities for Indians to manage and operate their own health programs; and 3) to serve as a health advocate for Indian people. In FY 1987, the IHS will continue its mission by providing comprehensive health services to over one million Indian and Alaska Native people.

Since the transfer of Indian Health programs from the Department of the Interior to the Public Health Service in 1955, this comprehensive health delivery system has developed into two modes of delivery. First, the direct health delivery system, which is administered directly by IHS staff, provides services through the operation of 45 hospitals, 71 health centers, and several hundred smaller health stations and satellite clinics. The second is the tribal health delivery system, which is administered by tribes and tribal organizations through contracts with the IHS. These tribal organizations operate 6 hospitals and approximately 250 health clinics.

The purchase of medical care from non-IHS and non-tribal providers is designated contract health services and is considered to be an integral part of the IHS health care system. Contract health services represent services either not available in IHS's direct or tribal facilities, or in locations where no IHS or tribal facility exists.

The FY 1987 budget request, which we are here to discuss, contains the resources that will permit IHS to maintain the above systems while at the same time it includes some reductions that represent the Indian Health Service's participation in achieving the goal of reducing the overall budget deficit as expressed in the Balanced Budget and Emergency Deficit Control Act commonly referred to as the Gramm-Rudman-Hollings Act.

For Fiscal Year 1987, the budget request for the IHS includes $799.1 million in total obligations and $722.4 million in budget authority, of which $720 million is for Indian Health services and $2.4 million is for the Indian Health facilities modernization and repair program currently under the Indian Health Facilities appropriation.

The FY 1987 budget request of $720 million for Indian Health services reflects a decrease of approximately $88 million from the FY 1986 revised appropriation of $808 million, which includes the effect of the sequestration of $10.4 million. Of the $88 million decrease, $24.3 million reflects program reductions or eliminations included in the President's FY 1986 rescission proposal. The FY 1986 proposed rescission would have reduced the Hospital and Health Clinics activity by $6.3 million, including the elimination of the Emergency Medical Services program and new funding for tribal administrative overhead contract costs, and would have reduced the Contract Health Services activity by $2.5 million. Funding for the Community Health Representatives program and the Urban Health and Tribal Management programs also would have been discontinued under the FY 1986 proposed rescission at a savings of $15 million. These program reductions or eliminations are again proposed in the FY 1987 budget to enable IHS simultaneously to maintain key inpatient and outpatient medical services and to contribute to Federal deficit reduction.

Some of the $88 million decrease will be offset by increased collections achieved by intensifying efforts to collect from third-party payors, making management improvements, and reducing the cost of the contract health services program through negotiating lower rates. The FY 1987 request is consistent with the President's commitment to economic recovery and to the continued provision of quality health care to American Indian and Alaska Native people.

For the Clinical Services activities, the FY 1987 request of $620 million, a decrease of $47 million from the FY 1986 revised appropriation, assumes a $25 million increase in third-party reimbursements from the FY 1986 estimate of $44 million.

Of the projected $25 million increase in reimbursements, an estimated $8 million would be collected from private insurance companies, which have issued health insurance policies to IHS beneficiaries. The $8 million in estimated reimbursements from private insurance companies assumes that the exclusionary clauses in insurance policies are removed or overcome and that itemized bills, providing necessary clinical information, can be rendered to the insurance companies consistent with private health insurance standards. The exclusionary clauses prohibit payment for services rendered in a federal facility because the policy holder has no liability to pay for the services. An administrative provision has been proposed in the IHS appropriations language which would allow IHS to take whatever steps are necessary to collect from third-party payors.

The remaining $17 million of the projected increase in reimbursements assumes additional reimbursements will be collected from Medicare and Medicaid through intensified efforts to identify Medicare and Medicaid beneficiaries among the IHS beneficiary population and continued improvements in billings associated with expansion of the automated billing and collection system.

The FY 1987 request for the Clinical Services activities also reflects a decrease of over $30 million from the FY 1986 revised appropriation in the Contract Health Services activity. This decrease assumes that IHS will be able to pay health care providers at no more than the Medicare allowable rates. A notice will be published in the Federal Register notifying providers of the IHS policy.

Almost $38 million is requested to maintain Preventive Health activities in the areas of Sanitation, Public Health Nursing and Health Education; and $395,000 is requested to continue the immunization program in Alaska at a maintenance level.

For the Indian Health Manpower activity, $5.4 million is requested to support all continuation scholarships, as well as the In-Med, MPH, Extern and Preparatory programs.

The FY 1987 request for the Direct Operations activity is $56.2 million, a small decrease from the FY 1986 revised appropriation. This decrease assumes management improvements will result in dollar savings in the areas of space, travel, consultant services, equipment and supplies, etc. Included in the request is $2.5 million to expand the Resources and Patient Management System.

I am pleased to report that we have made a number of program achievements in FY 1985 and FY 1986. These accomplishments fall into three broad areas: health services, management improvements, and Indian self-determination activities.

Let me cite one example. I feel that continued implementation of the Resource Patient Management System (RPMS) provides the needed mechanism for more cost effective management of the IHS in FY 1987 and future years. The RPMS is an ambitious, but important innovation to IHS programming. When fully implemented, the RPMS will place multi-user computers at IHS Areas, Service Units, Hospitals, and Health Centers to support administrative functions, hospital operations and patient care in general, and local data collection and processing in a variety of application areas.

Benefits to the derived from this system are many and varied. Essentially the system will result in greater costimely information to assist in the deployment of resources. RPMS will also have positive benefits on patient care by providing clinicians easy access to a reliable source of patient data to assist in medical decision-making.

Mr. Chairman and members of the Committee, I will be pleased to answer any questions you may have on the specifics of the FY 1987 budget request.

BIOGRAPHY OF DR. EVERETT RHOADES

DATE AND PLACE OF BIRTH:	October 24, 1931, Lawton, Oklahoma
EDUCATION:	Lafayette College, Easton, Penn., Sept. 1949-June 1952. No Degree. University of Oklahoma School of Medicine Oklahoma City, Oklahoma, M.D. Degree, 1956
ADVANCED TRAINING:	Internship: Gorgas Hospital, Canal Zone, July 1956-June 1957

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Residency: Internal Medicine, University of Oklahoma Medical Center, July 1957-July 1960

Chief Resident Medicine: University of Oklahoma, July 1960-July 1961

Sub-Specialty Interest During Residency Training: Infectious Disease (18 months total)

MEDICAL LICENSURE: Oklahoma, 1956

SPECIALTY QUALIFICATION: Diplomate American Board of Internal Medicine, 1963

EXPERIENCE:

Director, Indian Health Service, 1982-
Assistant Surgeon General, USPHS, 1982-
Chief, Infectious Diseases Service University Hospital, 1975-1982.
Attending Physician, Native American Center Indian Health Clinic, Oklahoma City, Oklahoma 1973-1976.
Chief, Infectious Disease Section, Univ. of Oklahoma Medical Center, 1968-1982.
Professor of Medicine and Adjunct Professor of Microbiology, Univ. of Oklahoma Health Science Center, 1972-1982.
Asst. Professor of Microbiology, Univ. of Oklahoma Medical Center, 1966-1972.
Associate Professor of Medicine, Univ. of Oklahoma Medical Center, 1966-1972.
Consultant in Infectious Disease, Univ. of Oklahoma Medical Center, 1963-1966.
Chief, Infectious Disease Section, Wilford Hall USAF Hospital, 1961-1966.
Clinical Asst. in Medicine, University of Oklahoma Medical Center, 1960-1961.

AWARDS AND HONORS:

Zeta Psi Scholarship to an Indian Student, Lafayette College, 1949-1952.
John Hay Whitney Opportunity Fellowship, 1952-1956.
Polio Foundation Fellowship, 1954.
Student Research Achievement Award, 1956.
Outstanding Achievement Award, Veteran's Administration Hospital, Oklahoma City, Oklahoma, 1960, 1961.
Unit Citation Award, Wilford Hall USAF Hospital, 1965.
Air Force Certificate of Merit, 1967.
Markle Scholar in Academic Medicine, 1967 - 1972.
Kiowa Tribal Black Legging Society (Veterans Honor Society).
Outstanding Achievement, Association American Indian Physicians.
Oklahoma Lung Association Wonder Worker Award, 1974.
Oklahoma Lung Association Breath of Life Award, 1977 (Highest Award of OLA).
U. S. Public Health Service Recognition Award, 1977.
National Honor Lecturer for Mid-America State Universities Association, 1979.

Association of American Indian Physicians Award of Excellence, 1980 (Aug.).
Public Health Service Commendation Medal, 1982.
Public Health Service Citation, 1983.

COUNCILS AND BOARDS:

National Advisory Allergy and Infectious Disease Council (NIH), 1971-1975.
National Advisory Council on Minority Business Enterprise, 1970 -
Board of Directors, Assoc. on American Indian Affairs, 1970.
Board of Directors, Progess Association for Economic Development, Oklahoma City, 1973-1975.
Board of Directors, Oklahoma Lung Association (1975).
Board of Directors, Central Oklahoma Indian Health Project (Chairman 1976).
Public Health Report - Editorial Board.
National Committee on Vital and Health Statistics.
Intra-Departmental Council on Indian Affairs.
Anti-Infective Drugs Advisory Committee (FDA), 1983.

BIOGRAPHICAL LISTINGS:

Directory of Medical Specialists
Dictornary of International Biography, 1973
Who's Who in South and Southwest, 1973
American Men and Women of Science
Indians of Today
Contemporary American Indian Leaders

INTRODUCTION OF ASSOCIATES

Dr. RHOADES. Thank you very much, Mr. Chairman.

I am accompanied today by, on my far left, Dr. Ed Martin, who is the Acting Deputy Administrator of the Health Resources and Services Administration; and from the Indian Health Service, on my immediate left, Mr. Milburn Roach, the Acting Associate Director for Administration and Management; and, on my right, Mr. Bill Pearson, the Acting Associate Director, Office of Environmental Health and Engineering.

We are pleased to be here today to discuss with you the 1987 budget request for Indian health programs.

STAFFING ADJUSTMENTS

Senator McCLURE. Thank you very much.

I am told we are going to be interrupted with rollcall on the floor of the Senate, and I am going to move as rapidly as we can, and hope we can get the majority of the questions in before that occurs.

We understand that based on a departmental review of administrative positions, there will be 21 positions transferred to the Indian Health Service from the FTE allocation for the Health Resources and Services Administration.

Will the Department make available the resources to support these positions in fiscal year 1987, or are you simply being provided with an increased position ceiling without the money to pay to fill the positions?

Dr. RHOADES. Mr. Chairman, since that is a transaction that originates in HRSA, I'd like to ask Dr. Martin if he would respond.

Dr. MARTIN. Yes, Mr. Chairman.

The agency has made revisions in the level of support for the Health Resources and Services activities this year. We were able to provide the 21 positions and the funding for fiscal year 1986. These were positions that we essentially needed to move out of the agency in order to end the year within our ceiling.

So, unfortunately, Mr. Chairman, the answer is, we have been able to fund the positions in 1986, but we are requesting the committee to provide funding in 1987.

Senator McCLURE. I assume the administration supports that?

Dr. MARTIN. Yes, sir.

PROPOSED RESCISSIONS

Senator McCLURE. Almost $63 million of the funds provided in the 1986 budget were proposed for rescission. The time allowed for the Congress to approve these rescissions has expired.

Have all the funds which have been proposed for rescission been made available to the Indian Health Service for expenditure?

Dr. RHOADES. Yes, sir; those funds have also been issued to the areas to provide health services, and the funds associated with construction of health facilities is available to the Indian Health Service.

NEW HOSPITALS

Senator McClure. The Kanakanak replacement hospital will open this summer, and the Crownpoint facility will open during fiscal year 1987. No funds are requested for additional staff for these hospitals.

Was the provision of additional positions requested by Indian Health Service during the development of the 1987 budget request?

Dr. Rhoades. Yes, sir; they were included in the Indian Health Service request.

Senator McClure. The Senate has provided funding for 26 positions for the Kanakanak Hospital in the 1986 supplemental, as the hospital will be opened this summer. While this number is sufficient for the current year, I am concerned by the methodology employed to arrive at the staffing requirement.

As I understand it, the 26 positions represent 89 percent of the optimum level of staffing. Nationwide, Indian Health Service hospitals operate at a deficiency rate of 11 percent. This same percentage reduction was applied to staffing levels for Kanakanak.

If 11 percent is the average deficiency rate, there are obviously hospitals which are staffed well above the 89-percent level. Why should we staff new facilities at the average rate rather than at the level which would lessen the overall deficiency?

Dr. Rhoades. Mr. Chairman, this represents a slight modification from what has been a long-established practice by the Indian Health Service—requesting what we estimate to be full staffing, that is, 100 percent as identified by our resource requirement methodology.

Given the constrained resources that this country is living with at the present time, given the fact that almost always in the first year of operation a hospital is not operated for a full year, given the fact that even though there are some service units and facilities that are staffed above 89 percent—there are a substantial number that are staffed at less than 89 percent as well.

In my opinion, prudence dictated that for the current cycle related to Kanakanak, the most reasonable approach was to request funding to the average staffing level throughout the Indian Health Service, which comes out to 89 percent. And in subsequent years, to request staffing to bring that facility along with the rest of the Indian Health Service facilities to 100 percent of the resource requirement methodology.

I do not believe that this represents a serious deficiency at Kanakanak and, in fact, it does contribute to raising the entire percentage for the Indian Health Service, although I grant that it would not raise the percentage as high as it might otherwise. We give greatest attention to the deficiencies for those at the low end of the staffing, and, therefore, I think it is a very reasonable way to approach the staffing concerns of fiscal year 1987.

IHS AS RESIDUAL PAYER

Senator McClure. The Indian Health Service has maintained correctly, in my view, that the Federal health services provided by IHS are residual to other available resources, and that there is no entitlement to health care.

That policy is being challenged in Arizona and in Montana. In January of this year, the U.S. District Court for the District of Montana ruled that the Federal Government, and not Roosevelt County, was primarily responsible for the care of the Indian plaintiff, even though the county provides medical care for other indigent residents.

In Arizona Indians have not been provided assistance under the Access Program, which is available to other residents of the State on the basis of need.

What action is the Indian Health Service taking in these instances?

Dr. Rhoades. This has been a problem, actually a problem that has been present for a number of years in various States. It is, in my opinion, part of the general readjustment in this country as to who the payer of first resort or the payer of last resort will be. And we are in continual discussions with States such as Arizona, in the case that you mentioned, endeavoring to work out appropriate mechanisms of payment for Indian citizens who are citizens of the States, and therefore entitled, in our view, to all the rights and privileges that other citizens of the States are entitled to.

And in the case of Arizona, a meeting has been scheduled between officials of Access, the Indian Health Service and tribes in order to continue discussions as to the proper route to follow in the State of Arizona.

Senator McClure. Will the Montana decision be appealed?

Dr. Rhoades. A notice of appeal was filed with the appropriate court on March 26 of this year. That notice was filed to protect the Government's appeals right.

On April 17 of this year, the Civil Division of the Department of Justice recommended to the Solicitor General that an appeal be filed, and the consideration is going on at the present time in the Office of the Solicitor General.

Senator McClure. Do you have any idea of when that decision will be made?

Dr. Rhoades. No, sir; I don't have a good estimate of that.

Senator McClure. Are you urging an appeal?

Dr. Rhoades. Yes; I think it would be appropriate to describe our request as an urge.

Senator McClure. You have been kind of tentative in that answer. Does the Solicitor think your position is tentative?

Dr. Rhoades. No; the Solicitor does not think our position is tentative.

Senator McClure. He understands. He said appeal it. We want you to appeal it.

Dr. RHOADES. Yes; and the tentative nature of my answer only comes about because I don't presume to speak for the Solicitor General.

Senator McCLURE. I understand.

To your knowledge, are there any other instances where counties or States are denying health services to indigent Indians which are otherwise available to medically indigent citizens?

Dr. RHOADES. That is a very difficult question to answer with certainty. We have a large number of anecdotes, sometimes difficult to confirm, that the problem has arisen in other States. For example, in South Dakota there has been a somewhat analogous situation.

I might just add that, in the past, where the question has arisen, for example in the State of New Mexico, we have been able to work out an arrangement that has been very satisfactory to the Indian Health Service, leading us to believe that the problem is not insurmountable.

Senator McCLURE. Do you have any kind of a compilation within your office as to those instances? Is it possible to give us a document that indicates where you think that is happening, and what actions you have taken?

Dr. RHOADES. The way the event usually occurs is not that the individual is denied medical care in some setting.

The usual course of events is that care is given to, in this case an Indian person, and then the question arises as to who will pay that bill.

The Indian Health Service, in fulfillment of the doctrine of the residual nature of the Indian Health Service, is constrained to seek all other sources of payment for that care before paying the bill.

Obviously, a number of the States have similar constraints and I can see the rationale that they develop by saying that this really is an Indian Health Service responsibility, therefore, the Indian Health Service should pay.

Senator McCLURE. I understand that argument. What I am trying to find out is how often it is made.

Do you have within your office instances where they raise that?

Do you have a compilation of where the States and the counties try to get IHS to pay before they recognize their responsibility?

Dr. RHOADES. I don't have a formal listing. But we certainly would be able to provide for the committee, I believe, such a compilation.

Senator McCLURE. Would you provide that for the record, please?

Dr. RHOADES. Yes, sir.

[The information follows:]

The major number of instances occur in Arizona, South Dakota, and Montana. A State-by-State report on this issue is being developed and will be provided to the committee. [NOTE.—Survey is taking place at this time.]

ELIGIBILITY

Senator McCLURE. The Office of Technology Assessment [OTA] recently completed an extensive report of the Indian Health Service. One item noted in the report is that between 1972 and 1985 IHS appropriations doubled, even when adjusted for inflation.

During that same time, however, the beneficiary population also doubled.

In an effort to gain some measure of control over eligibility, IHS will be proposing regulations to establish a minimum blood quantum for eligibility, and to define geographic areas in which health services will be provided and to remove the differences between eligibility for contract versus direct care.

Although the regulations have not been published, there is already opposition to the blood quantum requirement. OTA suggested several other alternatives such as the establishment of a priority system for access to services, or a blood quantum requirement only for those who are not members of federally recognized tribes.

Were these options considered and rejected as a part of your effort to deal with eligibility?

Dr. RHOADES. Yes, sir, Mr. Chairman. These options and a number of other options were considered in the formulation of our proposed notice.

Senator McCLURE. Why did you reject the notion of allowing the tribes themselves to determine tribal membership where there are federally recognized tribes?

Dr. RHOADES. I'm glad you asked that question, because the question of eligibility specifically deals with tribal membership only in the sense that until the present time the Indian Health Service has used tribal membership as a marker to identify Indians. An individual was not required to be a member of a tribe.

Also, it would be presumptuous and inappropriate for the Indian Health Service to make any determination as to tribal membership itself. And the question of eligibility for services quite incorrectly keeps getting wrapped up in the question of who should be a tribal member.

We would never propose to make any judgment whatsoever as to who should be a tribal member. Only the tribes themselves should do that, or perhaps in some instances Congress may.

I do not believe that those questions are the same. I separate them quite readily in my own mind. And the question of eligibility is made more difficult, however, because tribes do not have the same standards for tribal membership. Therefore, there is great disparity in the kinds of people that belong to various tribes.

At the same time, essentially all of the tribes have been, in my opinion quite correctly, demanding that the Indian Health Service allocate its resources more equitably.

That cannot be done until a decision is made on the definition of who we serve.

Senator McCLURE. You don't think it would be possible for you to provide services to all enrolled members of federally recognized tribes and use a separate definition for blood quantum for those that are not federally recognized tribes?

Dr. RHOADES. If I understand the question correctly, yes, it would be possible.

Would it be desirable? I'm not quite so sure.

Another point is, in fact large numbers of Indian people right now are displaced from care. I have given a great deal of attention to this question, and I now have come to the conclusion that there are never going to be sufficient resources to provide all of the care that is demanded.

In examining the history of the Indian Health Service the last 15 years, in fact, I believe there is good reason to believe—not conclusively, but strongly implied—that the creation of the services has led to the creation of increasing demand. I think the history of the 1970's is quite clear to that. It is certainly true of other programs in this country unrelated to Indian communities.

I think the conclusion is now on all of us, as it is upon many tribes who also have demanded that the Indian Health Service clarify eligibility, including the establishment of a quantum of blood, for example, as one measure, that we now have a system that is not a system. It is haphazard. I won't use the word "chaotic," although that word is not entirely inappropriate.

I am trying to bring some order to what is otherwise an uncontrollable situation so that the rationing of medical care, which in my lifetime has always been present in the Indian Health Service and always been present in the United States, can just be placed upon some reasonable basis. That is what we are trying to do.

Senator McClure. Do you think there is a temptation on the part of the tribes, or a danger that the tribes will increase tribal membership in order to make members beneficiaries of Indian Health Service services? Or, do you believe that the other effects of tribal membership will restrain the tribes in that tendancy?

Dr. Rhoades. Probably the answer to that is like the answer to almost any Indian question: it will happen both ways throughout the country.

My experience, when I was a member of a Tribal Advisory Board in the State of Oklahoma following the 1970 census, is the answer to your first question, will the rolls of Indian membership expand because of perceived increase in resources, that is exactly what happened in 1970. At meetings that I attended, there was urging by tribal leaders to go into the community and tell individuals who think they might be Indian to put down on the census roll that they are Indian, because resources would be forthcoming.

That is one of the hazards of thinking in terms of per capita type of allocation, for example.

That turned out to be a very cruel hoax. The resources did not keep up with demand, as pointed out by the Office of Technology Assessment.

Yes; I believe that will be true. We have been told by at least one tribe, already, that if we impose a blood quantum, they will just simply pass a law or amend their tribal constitution, or whatever the appropriate tribal technique is, to declare that all members of their tribe are full bloods.

I suspect all of those things will be taken into account.

Let me just add a gratuitous piece of information—gratuitous only in the sense that you haven't asked the question.

If it were not for the requirement to raise the status of health of the Indian people to the highest possible level, and if it were not because of the requirement to allocate our resources in order to do that, there would be no problem about the question of eligibility.

However, given those two circumstances, the question of eligibility applies really to the allocation of resources. As I said earlier, equity cannot be approached until there is some definition. The most important piece of the definition, from the Indian Health Service standpoint, is that the definition be uniform. I am much less concerned about what that definition is, than I am that the definition would apply uniformly throughout.

Again, there can be no equity without that.

So let me just reiterate also, we are not trying to define who an Indian is; we are not trying to define tribal membership; but we are trying to develop needed standards so that when we allocate resources, we can make the best use of those resources.

The allocation of those resources demands, therefore, some sort of standard. After studying all of the various standards, my personal opinion—which I would not want to impose as the Indian Health Service policy—is that the least objectionable is a quantum determination. I realize that that is largely a matter of perspective. All other modes of rationing of medical care—to me personally as an Indian person—are more objectionable.

If I were to have a standard that would provide me a more rational distribution of our resources, I could not really care that much about how an individual tribe wishes to dispose of those resources.

As you recall, largely through the efforts of your committee in 1983, the appropriations language provided a restriction on the Indian Health Service that we could no longer serve non-Indian spouses, except under certain circumstances. There was a loud outcry at the time.

In fact, in my opinion, that permitted us to expand our services to Indian people who otherwise were not able to receive those services.

The only requirement that I would put on my needs in relationship to the allocation of resources, is that once a tribe has disposed of its resources, then there are not any more resources for me to give them when they come back and say, we have this certain problem and so on and so forth. That really is what is at the heart of the eligibility question.

Senator McClure. Dr. Rhoades, if you promulgate a regulation that says blood quantum shall be the standard, how will you make that determination?

Dr. Rhoades. The standard way, and the way that I believe would be most efficient, is to use one of two criteria, which is what we use now for identification purposes, and which the Bureau of Indian Affairs uses widely. That is the certificate of degree of Indian blood that the Bureau is able to provide us.

Or, a similar affidavit, certification by the tribes themselves.

Many, many tribes do this already.

Senator McClure. What will you do if a tribe does what they have suggested, and that is, pass a resolution that they are all full bloods?

Dr. Rhoades. That would pose a problem. I'm assuming that if a quantum were determined to be one of the ways to define eligibility, that there are enough data available in the Bureau of Indian Affairs which would be readily transferable to the Indian Health Service—but we probably would have to depend upon their data—and that we would be able to identify even through descendancy, the degree of blood, and to make the allocation based upon that.

Senator McClure. In other words you would do your own certification?

Dr. Rhoades. It is possible that that could be a requirement.

Senator McClure. If that happens, aren't you going to have to divert manpower to it?

Dr. Rhoades. I think that if additional manpower were required, it would be of a very minimal nature. That is, when an individual appears for care now, we have to obtain from them a substantial amount of information, just like anybody who goes into a hospital has to answer a lot of demographic information as well as, interesting enough, basically who is going to pay this bill.

It doesn't really require a great deal of additional manpower, in my opinion. And we have demonstrated this, I believe, with our existing registration system. We do ask for degree of Indian blood now.

Senator McClure. But you will assume that the information they give you is correct?

Dr. Rhoades. We undoubtedly would run checks against information in the Bureau of Indian Affairs, that's right.

Senator McClure. So it would be spot check and penalty?

Dr. Rhoades. I'm sorry?

Senator McClure. It would be a spot check and penalty system?

Dr. Rhoades. Not necessarily. I'm not sure that we would want to impose a penalty.

Senator McClure. There are two general forms of enforcement. One is have a bureaucracy that is roughly the same size as the recipient population so you can look over the shoulder of each one. And the other is to spot check and then to have a penalty that requires people in effect to conform, because if they don't they will be penalized.

Dr. Rhoades. We have an additional human element, if I could call it that, in the sense of medical care. And that is, none of us in the business of medical care are going to turn away a patient that has come before us for some sort of relief of suffering. That patient will be seen.

And in the course of registering that person, a check is then made of their eligibility. And when they come back the next time, then the information will be available and they will be referred elsewhere.

Senator McClure. You mean you will turn them back the second time, not the first?

Dr. RHOADES. I think, depending upon the nature of the complaint, an emergency is never going to be turned away. But, yes, that is how I view the operation.

Senator McCLURE. I understand. The only reason I dwell on it at all is, I think you have an enforcement problem. It is easy to talk about the theory, but when it comes to the practice, aren't you going to have an enforcement problem?

Dr. RHOADES. I can't deny that. I do not believe that the difficulty of enforcement would be a major impediment. I believe it is one that would still work.

CONTRACT CARE

Senator McCLURE. IHS currently requires an individual to meet a different set of criteria if they are to receive contract services as opposed to direct care in an IHS facility.

Other than funding restraints, is there any other rational basis for continuing this system?

Dr. RHOADES. If I could just elaborate for just a moment on the background of that, also. The question of eligibility for contract care actually was a prelude to the current discussion.

That is, when medical care became sufficiently sophisticated and when the direct delivery program of the Indian Health Service essentially became saturated, it became more and more necessary to purchase this very complicated care from outside the Indian Health Service. So the proportion of that kind of care has increased very dramatically in the last 15 or 20 years. Previously, almost all of the care that was needed was provided in our facilities.

In shifting from direct care to contract care, the Indian Health Service in essence shifted over from medical care to health care financing. And the entire system of operating then suddenly becomes quite different.

Just as I pointed out a moment ago, even if you do not have an adequate staff in your facility, if one more patient shows up at 10 o'clock at night, and they need some care, there is something you can do for that patient.

That gets lost a little bit in the question of who is going to pay for the contract care for this individual, in this case an Indian, who goes someplace for care and then a bill is submitted to the Indian Health Service.

It is obviously much easier, and in many instances more appropriate, to say I'm sorry, we are not going to pay for that care.

In my opinion—I was not in Indian Health Service at that time, but I was heavily involved in Indian affairs and I am well aware of some of the court cases that came out of Albuquerque and so forth, related to eligibility for contract care—essentially that entire discussion and the development of these two modes of eligibility were almost solely caused by the real perception that there were insufficient funds to provide all of the contract care that all of the Indians could use.

Senator McClure. Are you satisfied that the difference can be maintained, then?

Dr. Rhoades. Am I satisfied that the difference can be maintained?

Senator McClure. Yes.

Dr. Rhoades. Again, yes; it can be maintained.

Is it desirable to maintain it?

Not in my opinion.

One of the sources of great confusion throughout the country, and one of the things that requires our continual attention, is to explain to Indian people——

Senator McClure. Are you going to try then to move to a uniform system for eligibility on both kinds of care?

Dr. Rhoades. Yes, sir; if for no other reason than simplicity of operation.

Senator McClure. The OTA report notes that in an effort to keep within the contract care budget, strict efforts are made to control costs at the beginning of the fiscal year. And then if high cost cases do not materialize, there is a great deal more latitude toward the end of the fiscal year on the types of services that will be covered.

One suggestion to alleviate this problem is to allow for a portion of the contract care budget to be carried over into the next fiscal year. Would you support this approach, and if so, what is your estimate of the amount which should be carried over?

Dr. Rhoades. We certainly agree in principle with the OTA that additional flexibility would be available to manage the program if we indeed have the authority to carry over those kinds of funds just as we have the authority to expend over a 2-year period collections from Medicare and Medicaid for care provided in our facilities.

I think the question correctly identifies the pressure that the managers are under. They must be cautious about dispensing those funds throughout the year because they can never predict when a catastrophe will overtake them.

I do not have the figure at hand that would be desirable to use in that way, but I would be very happy to provide that for the record.

Senator McClure. If you would, please.

[The information follows:]

We believe that authority to carry over up to 10 percent of the contract care appropriation would be sufficient authority to fund high cost cases, level out the peak and valley demands of these high cost cases, and, thus, improve the management and delivery of health care services.

CATASTROPHIC CARE

Senator McClure. The Indian Health Care reauthorization bill which has been kicking around Congress for years, proposes to establish a separate fund to cover the cost of catastrophic health care.

Is this a reasonable approach to protect individual areas from having to absorb extraordinarily high-cost cases within their base resources?

Dr. Rhoades. It is reasonable. The administration believes such a fund could be established with current authorities. And I am in the process right now of establishing criteria for the utilization of such a fund within current authority.

Senator McCLURE. Would you provide for the committee whatever action you take at the time you take it?

Dr. RHOADES. Yes, sir.

Senator McCLURE. Keep us informed as to what it is you are going to do and what those criteria are?

Dr. RHOADES. Yes, sir.

[The information follows:]

The IHS proposes to establish a headquarters managed fund equaling 10 percent of the contract health services [CHS] appropriation that will be utilized as a stop-loss fund to pay for extraordinarily high-care cases that meet the following criteria:

1. The patient is documented as being eligible for CHS.
2. All known and potentially available and accessible third-party resources have been documented as to the limits of assistance.
3. The authorizing service unit has funded the first dollar amount up to the catastrophic funding threshold level of $20,000.
4. The local service unit continues to actively manage the care to assure quality services or provided at the most cost effective rate.

PHYSICIAN RECRUITMENT

Senator McCLURE. After 1990, the Indian Health Service will no longer be able to rely on the National Health Service Corps for physicians.

How many physicians are currently employed by IHS, and of that number how many have come from the corps?

Dr. RHOADES. We currently employ approximately 770 full-time physicians. Of these, 356, almost one-half are fulfilling their commitments in payback for National Health Service Corps scholarships.

Senator McCLURE. To date how many doctors have been graduated through the IHS Scholarship Program?

And of that number, how many have or are in the process of fulfilling their service obligation?

Dr. RHOADES. I would like to supply the number for the record, if I may. But let me just add that I don't believe it was ever anticipated that the Indian Health Service Scholarship Program itself would meet the physician requirements for the Indian Health Service.

[The information follows:]

Seventeen Indian Health Service scholarship physicians have graduated from medical school. Eight of these physicians are in residency programs and nine have or are in the process of fulfilling their service obligations.

SCHOLARSHIP PROGRAM GRADUATES

Senator McCLURE. How many additional doctors do you anticipate will be graduated from the scholarship program between now and 1990?

Dr. RHOADES. We expect about 50 physicians will graduate from our scholarship program between now and 1990. They would not be available for immediate placement, however, because of a requirement for postgraduate training.

Senator McClure. What steps are you taking, or should you be taking, to prepare for the nonavailability of the National Health Service Corps doctors?

Dr. Rhoades. We are working with the Bureau of Health Care Delivery and Assistance. That's the Bureau for which Dr. Martin was responsible for a number of years, and within which the National Health Service Corps is located.

We are working with that bureau right now to plan for manpower supply for underserved areas, including the Indian Health Service in the future.

I have a task force that has been formulated and has made recommendations to me as to how to begin to secure the services of volunteer physicians. We believe that the marketplace will, indeed, exert some pressure on the physicians in this country toward working in the Indian Health Service, and we are reexamining the entire array of negative aspects as well as positive aspects, to see if we can retain physicians for a longer period.

Senator McClure. I'm interested in that statement. You say that the market forces are working in favor of getting more doctors?

Dr. Rhoades. Let me be more explicit. With the so-called physician glut that is now beginning to appear as a result of the terrific enlargement of medical education programs in the 1960's and 1970's, it is projected that there will be a surplus of physicians.

Senator McClure. I have seen that projection for years. All we have seen so far is, as we turn out more doctors from medical schools, more of them go into specialities and go to medical centers and charge more for services.

Dr. Rhoades. There is evidence, in my opinion, in the past year that in fact many of the metropolitan areas now, if not most of them, are indeed saturated and physicians are entering what used to be considered, I guess, by physicians, less desirable locations for employment.

Senator McClure. I hope that is right. Because I have supported increased funding for medical education all the years I have been here on the theory that that would indeed make more doctors available to underserved areas.

It hasn't worked yet. I would welcome some evidence that it is going to work.

I thought maybe you are talking about the fact that insurance premiums are getting so high doctors have to move out of private practice.

Dr. Rhoades. I'd be very happy to provide an analysis of the current situation.

Senator McClure. If you would, I'd appreciate that.

Dr. Rhoades. Yes, sir.

Senator McClure. I'm anxious to see it—I'd like to know that what you are saying is true. I really hope it is.

[The information follows:]

Medical and osteopathic graduates are expected to peak at about 16,900 M.D.'s and 1,500 D.O.'s in academic year 1985–86 and then gradually decline and level off at 16,200 M.D.'s and 1,500 D.O.'s in 1990.

The supply of active physicians (M.D.'s and D.O.'s) in 1990 is estimated to be 594,600 and by the year 2000 it is estimated to be 706,500. The growth of active physicians is expected to be substantially greater than the growth in population which is expected to amount to 16 percent between 1981 and 2000. In 1981, the ratio of 199 physicians per 100,000 populations is projected to increase to 235 by 1990 and 260 by the year 2000.

Attached is a chart of recent population growth and projected M.D. supply growth by States.

COMPARISON OF RECENT POPULATION GROWTH AND PROJECTED M.D. SUPPLY GROWTH FOR STATES

State	Population growth 1980-84		Projected M.D. growth 1981-90	
	Rate	Rank	Rate	Rank
Alaska	24.4	1	65.6	1
Nevada	13.3	2	44.3	3
Utah	13.0	3	36.7	8
Florida	12.6	4	21.3	45
Texas	12.4	5	27.9	25
Arizona	12.3	6	31.0	17
Colorado	10.0	7	37.0	6
New Mexico	9.3	8	44.5	2
Oklahoma	9.0	9	31.8	15
Wyoming	8.9	10	35.5	9
California	8.3	11	29.0	22
Hawaii	7.7	12	30.8	18
Georgia	6.8	13	26.2	28
Louisiana	6.1	14	25.9	30
New Hampshire	6.1	15	26.9	27
Idaho	6.0	16	40.9	4
South Carolina	5.7	17	22.9	40
Virginia	5.4	18	30.8	19
Washington	5.2	19	36.1	10
North Dakota	5.2	20	26.0	29
North Carolina	4.8	21	28.0	24
Montana	4.7	22	31.9	14
Vermont	3.6	23	39.8	5
Mississippi	3.1	24	28.7	23
Delaware	3.1	25	19.1	49
Maryland	3.1	26	32.1	13
Kansas	3.1	27	25.8	32
Maine	2.8	28	30.5	20
Arkansas	2.7	29	29.6	21
Tennessee	2.7	30	27.2	26
Alabama	2.5	31	24.3	37
Nebraska	2.3	32	25.0	35
South Dakota	2.2	33	21.8	43
Minnesota	2.1	34	34.9	11
New Jersey	2.0	35	18.9	50
Missouri	1.9	36	24.2	38
Kentucky	1.7	37	32.2	12
Oregon	1.6	38	38.9	7
Rhode Island	1.6	39	21.0	46
Connecticut	1.5	40	25.8	31
Wisconsin	1.3	41	24.6	36
Massachusets	1.1	42	31.8	16
New York	1.0	43	18.0	51
Illinois	0.7	44	22.9	39
Pennsylvania	0.3	45	25.3	34
Indiana	0.1	46	21.7	44
West Virginia	0.1	47	22.8	41
Iowa	0.1	48	22.3	42
Ohio	-0.4	49	20.8	47

COMPARISON OF RECENT POPULATION GROWTH AND PROJECTED M.D. SUPPLY GROWTH FOR STATES—Continued

State	Population growth 1980–84		Projected M.D. growth 1981–90	
	Rate	Rank	Rate	Rank
Michigan	-2.0	50	19.3	48
District of Columbia	-2.4	51	25.4	33

Population data are taken from U.S. Department of Commerce News Release No. CB84-233.

NONSERVICE OBLIGATED PHYSICIANS

Senator McClure. What incentives are currently in place for nonservice obligated physicians to join the Indian Health Service?

Dr. Rhoades. We are trying to make the Indian Health Service a better place for professional persons to fulfill their capabilities and IHS service sites more desirable places to live. This, obviously, requires a good deal of effort outside of the Indian Health Service, a major effort is required of the tribes.

I've been very pleased with the response of various tribes around the country to welcome physicians, make them feel more comfortable in the community.

There are, in my opinion, going to be for many years, restraints such as the availability of elementary schools and so forth that for various individuals will be a negative influence.

Obviously, one of the longstanding incentives has been the retention special pay that has been available to physicians under the Commissioned Corps presently being paid to the Indian Health Service physicians. I've given some consideration to the possibility of extending that kind of financial remuneration for difficult assignments, or difficult-to-fill specialties.

Senator McClure. If we lose the corps we lose the retention special pay.

Dr. Rhoades. Yes, sir.

Senator McClure. Do you have a plan to substitute for that in terms of financial incentive?

Dr. Martin. Mr. Chairman, I think I need to make a distinction. The National Health Service Corps scholarship activity which is, in fact, being phased out, is separate from the Commissioned Corps of the U.S. Public Health Service, which is the personnel mechanism used for providing retention special pay.

Although there has been talk of it, I don't think there is any plan to get rid of the Commissioned Corps of the U.S. Public Health Service. That is when the retention special pay issue would become critical.

Senator McClure. Are these incentives enough?

Dr. Rhoades. It certainly would not be correct to say that they are enough. And that is why we are exploring all other kinds of incentives that we can think of.

NAVAJO AND HOPI RELOCATION

Senator McClure. I have a number of other questions to submit for the record. But, as you may have ascertained from the bells, there is a vote on on the floor of the Senate. I understand Senator Stevens may well wish to come personally to ask some questions. For that reason I will ask, as I leave, ask you to remain for a few minutes to see whether Senator Stevens will be here. And I will ask just a couple of other questions at this time.

Approximately $5 million was made available in fiscal year 1986 for the provision of sanitation facilities in conjunction with the Navajo and Hopi Indian Relocation Program.

An additional increase was provided in the budget of the Relocation Commission to complete the hardrocks project. What is the current status of this work?

Mr. Pearson. Mr. Chairman, the Indian Health Service has received the appropriated funds from Congress. In fiscal year 1986, $5 million was identified for the sanitation facilities in the joint use area. Most of that is going for the new lands.

We have separately, though, received appropriations from Congress also for the sanitation facilities for the homes of the joint use area. At this time we have funding for all of the homes with the exception of the last segment that will be built. And in fact, the funding for those will be included in the funding for the Navajo-Hopi Indian Relocation Commission.

Senator McClure. Do you recall the amount of that particular request?

Mr. Pearson. I don't immediately, sir.

Senator McClure. Will you provide that for the record?

Mr. Pearson. Yes.

[The information follows:]

The Indian Health Service estimates that $790,000 will be required from the Commission to complete the provision of sanitation facilities to the hardrock area. This funding will be required by the summer of 1987 in order for the project to be completed on schedule.

HOPI PARTITIONED LANDS SURVEY

Senator McClure. That request will be sufficient to provide all the sanitation services necessary?

Mr. Pearson. Yes, sir.

Senator McClure. Under the direction of the Bureau of Indian Affairs, a survey is to be conducted this summer of all current Navajo residents of the Hopi partitioned lands.

Has the Indian Health Service been consulted as to the content of this survey?

Mr. Pearson. Yes, Mr. Chairman. We have a district engineer stationed in Flagstaff, AZ, who works very closely with the Navajo-Hopi Indian Relocation Commission. He is supposed to be working with the Commission on the survey so we will know what the survey will consist of and have an opportunity to provide appropriate health-related or sanitation-related questions for the survey.

Senator McCLURE. When do you expect that the form of the survey will be completed?

Mr. PEARSON. I'd have to provide that for the record, Mr. Chairman.

Senator McCLURE. Would you also, at the same time provide for the record, at the time the survey is completed, whether or not the survey information will be sufficient for your purposes in planning for health care delivery on the new lands.

[The information follows:]

The Indian Health Service has provided the Bureau of Indian Affairs appropriate health-related questions to be included in the proposed survey. The survey form is expected to be completed by June 1, 1986.

The IHS will provide the committee a report on the survey information relating to health care delivery within 90 days after receipt of the information from the Bureau of Indian Affairs.

ADDITIONAL COMMITTEE QUESTIONS

Senator McCLURE. Thank you for your testimony, Dr. Rhoades.

There are a number of questions which we will submit for a written response.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Proposed Rescissions

Question: Do you anticipate that we will be faced with additional rescission requests next year if more funds are provided to the Indian Health Service (IHS) than requested in the budget?

Answer: We believe that any action by the Administration on the fiscal year (FY) 1987 enacted appropriations will be driven by both the impact of the enacted appropriations on the level of the budget deficit in FY 1987 and future years and the impact of various enacted appropriations on the Administration's budget priorities Government-wide.

Staffing Adjustments

Question: We understand that based on a departmental review of administrative positions there will be 21 positions transferred to the IHS from the full-time equivalent (FTE) allocation for the Health Resources and Services Administration (HRSA). What are the annualized costs of these positions?

Answer: The estimated annual costs of these positions is $765,000 plus approximately $80,000 for travel and supplies.

Question: Please provide for the record a list of the 21 positions and the justification for increased administration personnel.

Answer: See Insert A for the list of 21 positions. In a recent review of the IHS positions, it was determined that a reallocation of positions among headquarters program and administrative activities and area office program and administrative activities needed to be made. That determination resulted in a need to increase positions directly supporting IHS service programs, which then created a shortage in headquarters administrative positions.

PROPOSED POSITIONS

Office of the Director

1. Program Analyst - Policy Review Staff
2. Correspondence Specialist - Executive Secretariat

Office of Administration and Management

1. Supervisory Budget & Acctg Analyst - Resources Management
2. Budget Analyst - Resources Management
3. Management Analyst (ICR) - Management Policy
4. Records Management Officer - Administrative Services
5. Messenger/Clerk - Administrative Services

Office of Planning, Evaluation and Legislation

1. Program/Policy Analyst - Program Evaluation & Policy Analysis
2. Program/Policy Analyst - Program Evaluation & Policy Analysis

3. Legislative & Regulatory Analyst - Legislation and Regulations

Office of Tribal Activities

1. Tribal Affairs Assistant - Tribal Affairs

Office of Health Program

1. Director - Div. of Contract Health Services
2. Director - Div. of Health Manpower, Scholarship & Training
3. Medical Officer - Patient Care Prof. Affairs & Support Program - Office of Associate Director
4. Administrative Assistant - Office of Associate Director
5. Director - Special Initiatives - Div. of Clinical & Prev. Services
6. Correspondence Specialist - Office of Associate Director
7. Program Analyst - Office of Associate Director

Office of Environmental Health & Engineering

1. Associate Director - Office of Associate Director
2. Deputy Associate Director - Office of Associate Director
3. Secretary - Office of Associate Director

New Hospitals

Question: Please provide for the record a listing of all new positions, by activity, originally proposed for the three new hospitals, the estimated cost of these positions in FY 1987, and the annualized cost of the positions and any additional operations costs.

Answer: See insert B.

RESOURCE REQUIREMENTS FOR STAFFING OF NEW FACILITIES FOR FY 1987 AND FY 1988
($ in 000's)

Browning Hospital

				FY 1987 Additional Positions Reqd. to Achieve Current IHS Average Staffing Level of 89%				FY 1988 Additional Positions Needed to Attain Total Staffing Requirement			
Budget Activity	Total Staffing Rqmt.	Required Based on Current IHS Avg. Staffing Levels of 89%	Current Available FTEs	FTE	Staffing	OPER	TOTAL	FTE	Staffing	OPER	TOTAL
Hosp. & Clinics	133	123	117	6	$ 168	$66	$234	10	$ 280	$111	$ 391
Dental	13	11	11	0	0	0	0	2	62	20	82
Mental Health	2	2	2	0	0	0	0	0	0	0	0
Prev. Health	14	12	10	2	67	20	87	2	71	20	91
Sanitation	(5)	(4)	(4)	(0)	(0)	(0)	(0)	(1)	(37)	(10)	(47)
PH Nursing	(7)	(6)	(5)	(1)	(32)	(10)	(42)	(1)	(34)	(10)	(44)
Health Educ.	(2)	(2)	(1)	(1)	(35)	(10)	(45)	(0)	(0)	(0)	(0)
TOTAL	162	148	140 1/	8	$ 235	$86	$321	14	$ 413	$151	$ 564

1/ Includes 39 positions in FY 1986 Appropriation

RESOURCE REQUIREMENTS FOR STAFFING OF NEW FACILITIES FOR FY 1987 AND FY 1988
($ in 000's)

Crownpoint Hospital

Budget Activity	Total Staffing Rqmt.	Required Based on Current IHS Avg. Staffing Levels of 89%	Current Available FTEs	FY 1987 Additional Required in First Year of Operation (Annual Basis) FTEs	Staffing	OPER	TOTAL	FY 1987 Adjusted to Reflect Partial Year Operation Based Upon Projected Opening Date (8 Months) FTEs	Staffing	OPER	TOTAL	FY 1988 Annualization of FY 1987 Increase (4 Months) FTEs	Staffing	OPER	TOTAL	FY 1988 Add'l. Positions Needed to Attain Total Staffing Requirement FTEs	Staffing	OPER	TOTAL
Hosp. & Clinics	142	126	81	45	$ 1,260	$544	$1,804	30	$ 840	$364	$1,204	15	$ 420	$190	$610	16	$ 448	$192	$640
Dental	11	10	4	6	180	66	246	4	120	44	164	2	66	23	89	1	31	11	42
Mental Health	2	2	1	1	37	11	48	1	37	11	48	0	0	0	0	0	0	0	0
Prev. Health	19	17	12	5	171	55	226	3	103	33	136	2	74	24	98	2	71	22	93
Sanitation	(11)	(10)	(8)	(2)	(72)	(22)	(94)	(1)	(36)	(11)	(47)	(1)	(38)	(12)	(50)	(1)	(37)	(11)	(48)
PH Nursing	(6)	(5)	(3)	(2)	(64)	(22)	(86)	(1)	(32)	(11)	(43)	(1)	(36)	(12)	(48)	(1)	(34)	(11)	(45)
Health Educ.	(2)	(2)	(1)	(1)	(35)	(11)	(46)	(1)	(35)	(11)	(46)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
TOTAL	174	155	98	57	$ 1,648	$676	$2,324	38	$ 1,100	$452	$1,552	19	$560	$237	$797	19	$550	$225	$775

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RESOURCE REQUIREMENTS FOR STAFFING OF NEW FACILITIES FOR FY 1987 AND FY 1988
($ in 000's)

Kanakanak Hospital

Budget Activity	Total Staffing Rqmt.	Required Based on Current IHS Avg. Staffing Levels of 89%	Current Available FTEs	FY 1987[1] Additional Positions Reqd. in First Year of Operation (Annual Basis) FTE	Staffing	OPER	TOTAL	FY 1988[1] Additional Positions Needed to Attain Total Staffing Requirement FTE	Staffing	OPER	TOTAL
Hosp. & Clinics	78	69	51	10	$ 738	$556	$1,294	9	$ 387	$263	$ 650
Dental	6	7	4	3	124	96	220	1	42	29	71
Mental Health	2	2	0	2	100	60	160	0	0	0	0
Prev. Health	6	5	2	3	120	90	210	1	46	29	75
Sanitation	(3)	(2)	(2)	(0)	(0)	(0)	(0)	(1)	(46)	(29)	(75)
PH Nursing	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Health Educ.	(3)	(3)	(0)	(3)	(120)	(90)	(210)	(0)	(0)	(0)	(0)
TOTAL	96	83	57	18	$1,082	$802	$1,884	11	$ 475	$321	$ 796

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[1] The existing operations of this facility are currently contracted under P.L. 93-638, and the positions and FTEs are shown for comparative purposes only.

Resource Allocation

Question: IHS has traditionally allocated resources based on the amounts an area has received in prior years. That has been somewhat modified by the equity fund, but there is still a wide variation in the amounts provided in different areas to do essentially the same work. What further action do you propose to address this inequity and will it involve the redistribution of "base" resources?

Answer: The statement that IHS has traditionally allocated resources based on the amounts an area has received in prior years is misleading. The IHS views each year's appropriation as containing increases or decreases that fall within certain categories of funding. These categories are built-in cost increases, increases identified for specific locations, such as staffing and operating costs of newly constructed facilities, funds identified for special programs which, in a large degree, dictates the location to receive the funds, and general program increases for which no intended location has been specified by either the budget request or the Congress. The only funds that IHS has traditionally allocated based on the amounts an area received in prior years is the built-in cost increases. This basis of allocation is consistent with the purpose for which the funds were requested and justified in a budget process that spans approximately 18 months and is concluded with the final decisions on the President's Budget being presented to the Congress and the eventual appropriation of funds by the Congress. Since these funds, built-in cost increases, are distributed in this manner, the integrity of the budget and appropriation process is maintained. The funds that were identified by location in either the budget request or in the Congressional Appropriation Committee Report were allocated to the designated locations. Any funds received which were unspecified were allocated on a basis of health need, utilizing such factors as employee to patient ratios as one means of measuring relative health needs. This same principle is utilized today, but IHS has a much improved capability of determining unmet health need.

For example, the IHS utilizes a two-step approach to allocate resources first to areas (Area Resource Allocation Methodology-ARAM) and then to each service unit (Service Unit Resource Allocation Methodology-SURAM). Since funding deficiencies and health status are the primary determinants in the allocation of funds to achieve equity, the distribution formulas direct relatively more resources to areas and service units with larger funding deficiencies based on need and to areas and service units with lower overall health status. In FY 1986, $10,000,000 was distributed by these methods. Since the FY 1986 appropriation did not contain increases for the purpose of meeting health needs, the $10,000,000 was made available by reducing the IHS area base programs. As in the past, this distribution methodology is currently undergoing additional review, comment, and revision for improvement and continued application in FY 1987. The methodology will continue to be refined and IHS will continue to apply these principles in the future.

One reason why the amounts vary by Area is the fact that, although Areas do essentially the same work, there are many other compounding variables such as regional costs, transportation and mode of health care delivery which affect allocation in such a way that there will always be inter-Area differences.

Contract Care

Question: It is proposed that payments for contract services be based on Medicare rates, were applicable. When do you anticipate implementing the new payment system and do you foresee difficulties in retaining contract providers in any specific area due to reduced payment schedules?

Answer: This action is based upon the observation that considerable savings would occur, and hence, more care could be provided to Indian people if the IHS were able to negotiate more favorable payment. The new payment policy which was announced in the Federal Register on June 30, 1986, will be phased in through FY 1987. Since IHS now primarily pays medical care providers whatever amount is billed, we may anticipate some resistance to a more reasonable reimbursement ceiling - especially from sole community providers. However, we believe that by prudent implementation, this new policy will enable IHS to provide substantially more medical care within appropriated funding levels and to allocate funds in a more equitable fashion.

Question: As Medicare rates are based on an elderly population, is there the possibility that use of such rates may actually increase costs in some cases?

Answer: The new payment policy will not require IHS to reimburse providers of care at the Medicare level nor will it require IHS to utilize Medicare reimbursement methodologies. The new policy will require: (1) routine providers to enter into contracts with IHS; (2) IHS will pay no more than the amount that Medicare would have paid for similar care. The IHS anticipates entering into many contracts with reimbursement provisions below this ceiling. It is anticipated that this will lead to the development of IHS specific rates. We believe the net effect on contract health services will be more services provided with available funding.

Third Party Reimbursements

Question: For the last several years decreased Federal appropriations have been requested based on statements that third party payments would be substantially increased. While Congress has restored most of the proposed reductions, we have indicated that IHS should not continue to vigorously pursue increased collections, yet the anticipated increases have not materialized. Is there any solid reason that we should rely on the estimated increase in third party payments contained in the FY 1987 budget?

Answer: The estimates contained in the FY 1987 Budget justifications were based on an HHS contracted study that projected IHS third-party collections through 1987. In the first 7 months of FY 1986 IHS has collected $30,063,957.42. With the full implementation of the patient registration system, we expect collections to increase. The IHS will continue to aggressively pursue increased collections.

Question: Suggestions have been made that the Federal Government require those insurance companies with whom we do business to pay for health care of beneficiaries provided at VA and IHS facilities. Has IHS ever surveyed your Indian employees to determine how many of them participate in the federal health insurance program?

Answer: The IHS employs approximately 6,200 Indians out of 10,000 personnel. Of that number, approximately 3,700 participate in some type of federal health insurance program.

Question: According to an IG's report, in 1980 IHS provided $4,000,000 of health care to IHS employees which has not been reimbursed by their insurance. Does this figure represent the expenditures only on behalf of employees with insurance or is it the total for all IHS employees?

Answer: This was an estimate of the potential amount of money that could be recovered from insurance companies for care rendered to eligible IHS employees with private insurance coverage. However, restrictive clauses in insurance policies have limited IHS collections to a minimal level.

Alcoholism

Question: The IHS service population dies from alcoholism at a rate more than four times the national average and also has a much higher death rate from accidents and injuries in which alcohol abuse may be a contributing factor. For FY 1987, $26,000,000 is requested to support 235 alcoholism programs.

A series of program evaluations have been conducted. Did those reviews find that the current program of hundreds of individual programs is the most effective use of available funds?

Answer: In FY 1982 and FY 1983 the IHS evaluated the alcoholism programs providing treatment and prevention of alcoholism using standards that included effectiveness indicators and case management procedures, contract compliance, and assessed the relative efficiency and effectiveness of these programs. Focus was on the process used by the programs. In FY 1984, the evaluation process was changed to focus on direct services to clients and treatment outcome measures. Specifically evaluated were: 1) appropriateness of services; 2) adequacy of direct service to clients; 3) program operating procedures; 4) program performance; and 5) outpatient components. Plans are being developed to do a follow-up evaluation in FY 1986-1987 to monitor program progress in the five areas evaluated in FY 1984. From the previous evaluations and the program review, the IHS is anticipating some modification of the current delivery approach to capitalize on economies of scale and maximally effective approaches.

Question: The justification indicates that both urban and reservation programs are supported. Please provide a list of all the urban programs and the funds budgeted for FY 1987. Also indicate if any of the funds are being used to support programs run by non-federally recognized tribes or tribal organizations.

Answer: All alcoholism programs are contracted with federally-recognized tribes or Indian organizations. Listed below are the urban programs and projected budgeted amount for FY 1987.

Sioux San Alcoholism Program Rapid City, South Dakota	$88,868
American Indian Center Omaha, Nebraska	$174,587
United Tribes Education Tech Center Bismarck, North Dakota	$116,391
Native American Alcohol Treatment Program Sergeant Bluff, Iowa	$105,616
Fairbanks Native Association Fairbanks, Alaska	$292,380
Two Worlds Program-All Indian Pueblo Council Albuquerque, New Mexico	$186,667
Eagle Lodge, Inc. Denver, Colorado	$174,956
Southwestern Indian Polytechnic Institute Albuquerque, New Mexico	$87,029
Inter-Tribal Heritage Project Denver, Colorado	$164,019
American Indian Council on Alcoholism, Inc. Milwaukee, Wisconsin	$209,323
American Indian Services Dearborn, Michigan	$80,053
Juel Fairbanks Chemical Dependency Services St. Paul, Minnesota	$46,649
Minnesota Indian Primary Residential Treatment Ctr., Duluth, Minnesota	$180,052
St. Augustine's Center for American Indians, Inc., Chicago, Illinois	$112,572
Butte Indian Alcohol Program Butte, Montana	$69,805
Missoula Indian Alcohol & Drug Services Missoula, Montana	$69,557
Comprehensive Indian Alcohol Rehab Program Fresno, California	$343,667
Hawaii Council of American Indian Nations Honolulu, Hawaii	$71,325

American Indian Free Clinic, Inc. Compton, California	$298,461
Native American Alcohol & Drug Program Oakland, California	$268,543
American Indian Substance Abuse Program Sacramento, California	$174,596
Friendship House Association San Francisco, California	$138,176
San Joaquin Council Stockton, California	$160,872
Indian Center of San Jose San Jose, California	$183,388
United American Indian Involvement Los Angeles, California	$149,174
United Indian Lodge Eureka, California	$154,796
American Indian Community House New York, New York	$50,190
Baltimore American Indian Center Baltimore, Maryland	$62,360
Boston Indian Council Boston, Massachusetts	$188,823
Winslow Winslow, Arizona	$48,464
Gallup Gallup, New Mexico	$237,227
Kansas City Kansas City, Missouri	$93,314
Dallas Council House Grand Prairie, Texas	$148,492
Tulsa Tulsa, Oklahoma	$150,744
Topeka Topeka, Kansas	$113,449
Haskell Lawrence, Kansas	$102,771
Indian Rehabilitation Phoenix, Arizona	$141,780

Native Americans Flagstaff, Arizona	$65,800
Phoenix Indian Center Phoenix, Arizona	$39,462
Phoenix Urban Phoenix, Arizona	$102,296
Native American Rehabilitation Association Portland, Oregon	$366,400
Seattle Indian Alcoholism Program Seattle, Washington	$373,900
Seattle Public School Indian Heritage HS Seattle, Washington	$35,600
ACC & NHP Salt Lake City, Utah	$104,577
Total	$6,527,171

Question: If IHS were to design an alcoholism program, rather than simply being given to funding of an existing operation, what would that program incorporate that is not currently being done?

Answer: Historically, most Indian alcohol programs have been adult male-oriented programs. If IHS were to design an alcoholism program, the program would put more emphasis on prevention efforts targeted at male and female youth and would include more programs for adult females.

Hepatitis B

Question: The Hepatitis B program in Alaska has been most successful and the direct IHS work will be completed this year with provisions for tribal contracting for the ongoing immunization and screening work. Is the amount requested in the FY 1987 budget ($395,000) what will be required on an annual basis to carry on the program, or will that number be reduced in FY 1988 and beyond?

Answer: The amount requested in the FY 1987 budget ($395,000) is the amount required annually to maintain the ongoing immunization of all newborns (2,000-2,500 per year), all new IHS or contract employees (300-500 per year) and to continue to follow between 1,700 and 2,000 Hepatitis B carriers, twice yearly, with alpha fetal protein tests.

Parity

Question: The Committee has received a draft of the Report on Parity of IHS which was requested by the House to determine the gap between health services available to Indians as compared to The general U.S. population. What is the chance that the Department will accept this report and use the conclusions contained therein as part of the basis for making policy and budget decisions?

Answer: The "parity" issue originated in the language of the Indian Health Care Improvement Act (P.L. 94-437), which directed the Secretary of what was then the Department of Health, Education and Welfare to make "....recommendations of additional programs or additional assistance necessary to, at a minimum, provide health services to Indians and to assure a health status for Indians which are a parity with health services available to and the health status of, the general population." In the fall of 1983, the Assistant Secretary for Health noted a decline in the per capita health care expenditures for Indians as compared with those for the all-U.S. population. In the spring of 1984, at hearings before the House Committee on Appropriations, the Administrator of the Health Resources and Services Administration (HRSA) testified that disparity between the IHS population and the U.S. population had increased steadily since the late seventies. The Committee responded to this testimony by directing the Administration to identify "...the funding that would be required to bring the level of Indian health care services up to 'parity' with that of the U.S. population in general." In the summer of 1985, a Steering Committee, representative of IHS Associate Directors, and Area Directors, HRSA Associate Directors, CDC, PHS, and private sector physicians was appointed to direct the Task Force on parity. The first draft of the report was submitted for IHS review in March and for HRSA review in April. Extensive revisions and reviews of the data have been made at the executive levels of IHS and HRSA. The final draft reflects these reviews and is now under review by more than 500 tribes and Indian organizations, and throughout the IHS organization and other professional groups.

The IHS will transmit the report to the Public Health Service (PHS) and the Department for review shortly.

Question: Page 30 of the report contains data on Medicare and Medicaid collections by area. When one compares the collections to the IHS service population within the area, a wide range of differences is apparent. On a per capita basis, collections range from a low of $15 to a high of $66. Six areas collect an average of greater than $46 per capita while four areas collect less than $20 per capita. What is the explanation for these variations?

Answer: The collections vary between areas because of several reasons. The Medicare collections will vary between areas in direct proportion to the number of IHS hospitals located in the area. The Social Security Act states that Medicare can only be collected by hospitals or skilled nursing facilities. In this instance the Portland Area cannot bill or collect Medicare. Another variance between hospitals is caused by the number of professional specialities assigned. This has a direct impact on the number of patients who are kept in IHS hospitals and not transferred to private hospitals. The same points about Medicare have an impact on the Medicaid collections. In addition, the Medicaid collections are impacted by the number and kinds of care that are covered by the State plan. These coverages over the mandatory requirements vary from State to State. One of the main reasons that will impact Medicaid collections is the economic conditions of the reservation area which impacts employment. When taken together, the above cited reasons will cause variations in the total Medicare and Medicaid collections; however, one must recognize that these variables are normal and to be expected.

Question: The report also states that Medicaid collections could be dramatically increased if the States would share eligibility information with the IHS. In the mid-1970s an amendment was adopted to the Medicaid Program so that States are reimbursed 100% of their costs for eligible Indians rather that 50% reimbursement for other eligible individuals. Would you consider it inappropriate for us to require that in order to maintain this favorable reimbursement provision a State must make available to the IHS the information needed on eligibility?

Answer: The IHS has made great effort to negotiate with the states to provide the IHS a list of names of Medicaid eligible Indians.

Presently, all states except South Dakota are providing these lists on a timely basis.

Question: Please provide draft bill language which would accomplish this.

Answer: The following language could be used to direct the States to provide the necessary information: "Provided further that any State that refuses to provide the IHS with current Medicaid eligibility information may not be reimbursed at the 100 percentum rate provided by Section 1905(b) of the Social Security Act for services received through an IHS facility."

Community Health Representatives

Question: A community health representative information system has been implemented as one of the initial steps in evaluating cost effectiveness of the Community Health Representatives (CHR) Program. Is IHS considering inclusion of CHRs as part of the Resource Requirement Methodology (RRM)?

Answer: Yes. The IHS is currently examining aspects of the RRM in an effort to improve current methods of resource distribution. The CHR program is a part of that consideration.

Question: When do you anticipate that sufficient data will be available to include the CHR program in RRM?

Answer: A Tribal Outreach Program or CHR program has been a module under Part IX: Tribal Health Program of the RRM criteria since 1979. The current criteria includes staffing criteria for tribal outreach workers who are employees of tribally managed and staffed programs which offer, at the community level, health and health related supporting services. As with other RRM modules, the criteria is under review by appropriate program consultants to include any changes or modifications in program scope, direction, or standards of care.

The CHR RAM is presently being applied to FY 1985 RRM results in anticipation of distribution of any appropriated FY 1987 CHR resources to tribal CHR program contractors.

Urban Health Programs

Question: Two urban programs are operated in Oklahoma - Tulsa and Oklahoma City. The directors of the two programs, with the concurrance of IHS personnel in the Area office, are proposing that their funding be moved to the hospitals and clinics activity and that IHS enter into a "Buy Indian" contract with them in order to better integrate the health care provided by the urban programs with that provided directly by the IHS. What is the current funding level for the Tulsa and Oklahoma City programs?

Answer: The IHS supports both the urban programs in Oklahoma City and Tulsa. The FY 1986 funding level for the program in Oklahoma City is $494,000. The Tulsa urban program is being funded at a level of $369,000 in FY 1986.

Question: Would IHS support a demonstration program in Oklahoma for the purposes mentioned above?

Answer: We would consider the proposal.

Question: Are there any special concerns which should be addressed in this regard?

Answer: Title V funding only partially supports health services in Oklahoma City and Tulsa because of the large Indian populations in these two metropolitan areas. It is estimated that there are 27,590 Indians residing in Oklahoma City, and 41,519 residing in Tulsa. Although Oklahoma City and Tulsa are included in determining the total resource needs of the IHS Oklahoma City Area, neither of these cities are allocated IHS funds other than Title V funding. However, they do receive services from Contract Health Care and IHS facilities in Claremore, Tahlequah and Shawnee.

Question: Do urban Indians in Oklahoma have a different eligibility status than urban Indians in other locations who receive care through the urban projects?

Answer: Urban Indians in Oklahoma City and Tulsa are eligible for contract health care because the entire state is a contract health service delivery area. Urban Indians do utilize the IHS facilities in Claremore, Tahlequah, and Shawnee.

Indian Health Manpower

Question: For years the Indian Health Service has supported Masters in Public Health Programs at the same four universities: the University of California, the University of Oklahoma, the University of North Carolina and the University of Hawaii. Educationally, in the specific area of public health, how do these universities rank compared to other institutions which offer similar programs?

Answer: These four programs are considered to be of excellent educational stature. Compared to other similar schools and universities, they are among the highest. It is because of their excellent standing, high quality of offerings and renowned academic standards, as well as their knowledge of IHS and its needs, that these institutions have been utilized. All of these Schools of Public Health are accredited by the Council on Education for Public Health.

Question: If Congress were not to specify these institutions, would the IHS choose to deal with additional institutions?

Answer: The IHS has chosen to deal with these four institutions because of their educational quality and record. Results have been quite favorable; educational and professional needs continue to be met. However, if the quality of public health offerings were to decrease, (if) professional standards were reduced or other educational courses and experiences were desired by Indian Health Services (and/or Congress were not to specify these institutions), the IHS would consider dealing with other institutions.

Question: Of the 135 individuals who have received scholarship funds and who have completed their service requirement, how many have remained with the IHS?

Answer: The IHS has just completed an updating of the scholarship files and, as of May 1, 1986, 216 individuals have completed their scholarship payback and 162 of these are presently working with the IHS.

Question: Funding for section 106, continuing education, is included in the hospitals and clinics activity. How much was spent on such training during FY 1984-86 and how much is contained in the FY 1987 request?

Answer: Approximately $100,000 was spent during each fiscal year from 1984-86 in section 106. In addition, $325,000 was provided each fiscal year for physician continuing medical education. The same amount is contained in the FY 1987 request.

Question: Who controls the use of these training funds and how are individuals selected for training?

Answer: Control of these funds is ultimately with the Director of the IHS although other officials, from the nominee's supervisor up through the corresponding Program Manager and/or Area Director, are involved in the decision. Individuals are selected for training because of their desire and ability to learn as well as apply or implement newly-acquired techniques, skills, or knowledge. The training received is based upon organizational and/or community needs, program priorities, and resources available.

Question: What portion of these funds are used to support personnel in tribally-contracted facilities?

Answer: Section 106 funds of P.L. 97-437, The Indian Health Scholarship Program, are not used in tribally-contracted facilities. The amount of funds used to support personnel training in tribally-contracted facilities is included within the total contract amount awarded to the tribe. Although individual tribes vary in the amount of funds utilized for this purpose, planned projections for training expenditures are estimated to average in the 3%-7% range. (Specific figures are not available at the present time. The only way to obtain them would be to contact all of the tribes for this information. However, there is no guarantee that each tribe would have the data or that they could obtain it since no particular uniform, mandated, training-record method or system is required). It should be remembered that tribal leaders and officials participate, sometimes at little or no cost, in IHS educational and development activities as well as training sponsored by other Agencies and organizations.

Question: The justification states that an issue paper is being prepared to address the focus and the legislative changes needed to more efficiently manage the IHS Scholarship Program. Has that paper been prepared?

Answer: The issue paper is under review.

Question: What legislative changes are required? Are any of the needed changes contained in the House reported reauthorization bill for the Indian Health Care Improvement Act?

Answer: No final proposals have been made.

Direct Operations

Question: To provide additional training for supervision, personnel, and financial management, Congress provided $1,000,000 in FY 1985. What was accomplished with these funds?

Answer: The condensed report is attached.

MDP Coordination Team April 25, 1986

MDP Program

John Gimon, Acting Director
Division of Health Manpower and Training

The following information is provided in response to the memo of April 10, 1986 regarding the Management Development Program (MDP). This should clarify many of the specific questions raised by Congressional staffs, Area/Program Directors, and others. A number of documents are attached, assembled in chronological order, for additional background information.

INTRODUCTION:

The Congress funded the MDP as a special initiative program to address specific unmet management development needs in certain categories of IHS managers. The Senate Interior Appropriation Committee required that an acceptable plan be developed prior to implementation of the program to assure that the intent of Congress was fully met (see attachments 1 & 4). Because the MDP is a Congressionally mandated special emphasis program, the appropriated funds have been maintained through specially identified CAN numbers (attachment 2). This allowed for detailed reports to be provided to the IHS Director and Area/Program Directors on the use of the funds in FY 1985 (attachment 8). It also provided specific information on the program in a format that could easily be reported to Congress.

IHS MANAGEMENT DEVELOPMENT NEEDS ASSESSMENT

An initial goal of the MDP was to conduct an IHS management development needs assessment, and efforts were initiated to gather data using an instrument available from the Office of Personnel Management (OPM) referred to as the Management Excellence Inventory (MEI). Area MDP Coordinators were assembled in Denver on June 18-20, 1985 to receive training from OPM in the administration of the MEI instrument (attachment 5).

As of December 13, 1985, 319 participant and 258 supervisory responses had been evaluated. Approximately 50 supervisors have yet to complete the initial needs assessment. Data were not received from Bemidji in time to be included in the initial tabulation.

This effort has been delayed because of turnovers in OPM staff, although we have been advised that final group reports will be received within 30 days. Upon receipt of these reports, a briefing will be prepared for the IHS Director and Area/Program Directors. Individual results have already been sent to all participants who completed the MEI. January 8-9, 1986 Area MDP Coordinators met in Salt Lake City to receive an update on MDP activities and opportunities, and to receive training from OPM in the interpretation of the MEI results, and how to use the information to assist employees in developing Individual Development Plans (IDP).

TOWARD EXCELLENCE

The FY 1985 final report (attachment 9), and the FY 1986 MDP Plan of Action (attachments 11 & 13), indicate that $339,000 of FY 1985 funds were transferred to the Office of Personnel Management under an Interagency Agreement signed by the Acting Director, IHS. This agreement provides for tuition, instructors, and materials associated with the Toward Excellence program, as well as lodging and per diem costs. It also allows for the training of IHS facilitators to enable us to eventually conduct the program entirely in-house. The only costs not pre-paid for the program are travel, and $185,000 of FY 1986 funds have been budgeted to reimburse Area/Programs for these costs. Toward Excellence has been conducted in Alaska and California under this Interagency Agreement, and has been conducted in the Portland Area independent of the MDP under a separate contract. Feedback from these Areas regarding the program has been extremely positive, and indicate that the program is clearly relevant to IHS needs.

HEALTH SERVICES ADMINISTRATION DEVELOPMENT PROGRAM

In FY 1985 a special IHS session of the Health Services Administration Development Program (HSAD) conducted by the University of Alabama at Birmingham (UAB) was initiated. Area/Program Directors, Area Training Officers, and Area MDP Coordinators were encouraged to identify targeted

IHS health care managers who would benefit from this program funded by the MDP (see attachment 6). Four Areas responded and 14 individuals were selected (see attachment 7). The final phase of this program will be conducted May 5-16, 1986, and $21,000 dollars has been budgeted to support travel and per diem expenses for those IHS participants.

SPECIFIC AREA TRAINING REQUESTS

The April 7, 1986 memo approving the FY 1986 MDP budget (attachment 14) includes two new items that were not previously contained in the MDP budget proposal. These items, "$50,000 to support the Epidemiology Course" and "$66,000 dollars to support specific Area training requests, i.e., Bemidji, Aberdeen, Billings," were added at Headquarters, and the MDP is requesting clarification (see attachment 15).

NON-RESIDENTIAL MPH PROGRAMS

The MDP has had no involvement with the non-residential MPH Program at Oklahoma and Chapel Hill. An early MDP objective was to identify alternative ways of providing management development other than long term training options such as the MPH programs. In consultation with the Association of University Programs in Health Administration (AUPHA) and from discussions with other experts in the field, it is widely viewed that MPH programs are the not the most appropriate programs in which to train IHS health care managers. Therefore MPH programs have not been discussed as a part of the MDP.

COMPUTER LITERACY EFFORT

The computer literacy effort currently consists of two aspects. The first to locate and acquire self-teaching materials (ie., books and tapes) which can be loaned to IHS managers in the field. Secondly, in FY 1985, $23,800 was obligated on a group training form 350 to the UAB to pre-pay training in microcomputers. This hands-on training event is designed for IHS managers in positions targeted by the MDP, with priority given to Service Unit Administrative Officers. $17,000 of FY 1986 funds have been set aside to support travel and per diem costs for these participants, and negotiations are currently underway to have these special training programs conducted in a central location to decrease travel costs.

IHS HEALTH ADMINISTRATION FELLOWSHIP

The FY 1986 Senate language regarding the Management Development Program (MDP) called for "an understudy program to upgrade managerial qualifications of Indian-preference individuals with demonstrated high potential for key management positions." (attachment 10). To address this new mandate of Congress, particular emphasis has been given this year to the development of an IHS Health Administration Residency/Fellowship. The decrease in the FY 1986 MDP budget for the Fellowship Program will now require further planning. This topic will be discussed at the Fellowship Symposium June 3-5, 1986 in Phoenix.

MDP COORDINATION TEAM TRAVEL

The MDP Coordination Team was presented with significant challenges when assigned the responsibility for program development, implementation, and coordination of the Management Development Program. Despite the limited time available in which to accomplish program objectives (six months), the one million dollars appropriated by Congress was effectively utilized to plan and provide training for 271 IHS health care managers involved in 580 training events. The MDP Plan of Action required extensive travel and staff work to implement a number of separate and distinct projects.

including an IHS-wide management needs assessment, independent work study programs, the development of an IHS Administration Residency/Fellowship, an organizational effectiveness effort, and arrangement of numerous training opportunities for targeted IHS managers. Specific travel costs are included in the administrative costs for each project. Overall program administration costs for the one million dollars was 9.2%. This included support for all Area MDP Coordinators, regional meetings, onsite MEI assistance, travel for expert consultants from OPM and AUPHA, and other Area and Headquarters staff who assisted in MDP activities.

The MDP team participated in orientation and developmental activities along with other senior IHS managers, including Area Directors, Senior Headquarters staff, and other IHS management training experts to develop an internal cadre of program administrators to foster the organizational effectiveness effort patterned after those conducted by the Army and Navy, and delineated in the FY 1985 MDP plan. The majority of FY 1986 travel is designed to assist Areas in completing the MEI project, to provide logistical and technical support to Area/Programs presenting Toward Excellence and other programs, and to continue planning, developing, and implementing the IHS Health Administration Fellowship.

INFORMATIONAL BULLETINS

As part of a continuing effort to improve communications regarding MDP activities, informational bulletins will be mailed out on a regular basis (see attachment 16).

Thank you for your interest in the Management Development Program.

Jack Knight, R.Ph., M.P.H.

Gary Copeland, R.Ph., M.P.H.

Question: How much is available in FY 1986 for this activity and what is the FY 1987 request?

Answer: In FY 1986, $500,000 is available and since the FY 1987 President's Budget contains a program decrease, this activity will have to be reduced accordingly.

Question: The IHS is proposing a reprogramming of funds and positions within a number of activities to more accurately reflect the program costs versus administrative costs. Under this reprogramming, will these training funds remain under central administration?

Answer: Yes, these funds will remain centralized.

Personnel Requirements

Question: Due to concerns that neither the IHS nor the Bureau of Indian Affairs (BIA) had made adequate provision for the loss of substantial numbers of non-preference employees, Congress provided a five-year extension of the legislation which provides special retirement benefits for non-Indian personnel who have met certain service requirements.

The next five years may represent the last chance to "do it right." Has the IHS identified the supervisory positions that will become vacant due to retirements during the next several years and identified individuals who should be trained to assume these positions?

Answer: The IHS has identified the supervisory positions that may become vacant if the incumbents of those positions elect to retire under the provisions of P.L. 96-135. Understudy positions have been identified in some Area/Program Offices to train individuals to qualify for positions vacated by non-Indian employees voluntarily retiring under P.L. 96-135. However, understudy positions have been limited due to the availability of resources. It is difficult to identify and train individuals for understudy positions since non-Indian employees may not elect to exercise retirement eligibility under P.L. 96-135.

As a result of the continued efforts to recruit, hire, and train Indian people to qualify for positions vacated by non-Indian employees, considerable progress has been realized. Although the IHS has not established a formal training program under P.L. 96-135 to specifically train Indians to compete for positions in the IHS vacated by retirees, the IHS has made substantial efforts to train employees in the skills and knowledge necessary to carry out its mission and program goals.

Question: What specific action is IHS taking to assure a pool of qualified Indian employees for all administrative positions?

Answer: The IHS continuously conducts administrative training for incumbent administrators, supervisors, and managers as well as employees with administrative potential. Emphasis is given to Indian employees serving in administrative capacities, through the IHS Management Development Program, a special initiative which was created to address this specific objective as well as unmet administrative management needs of the organization. Other administrative training is provided through the Executive Development Program conducted by the Office of Personnel Mangement. Courses and seminars are held, for example, at the Federal Executive Institute in Charlottesville, Woodrow Wilson School at Princeton, Oak Ridge Executive Seminar Center as well as educational centers at American Enterprise Institute, Brookings, Johns Hopkins University, The American Mangement Association and the like. The Indian Health Scholarship program, P.L. 94-437, also supports special administrative programs which train/provide administrators in Public Health at the Masters (Degree) level. The principle of Indian preference applies to this training program as well as the others.

Question: How are individual IHS employees made aware of various training programs which are offered either by the Service or by universities or private groups?

Answer: Training information is distributed throughout the organization to appropriate managers or administrators and personnel by the Human Resource Management (Training) Office. Employees then receive information about these training opportunities through their supervisor and/or Branch/Office Chief. Sometimes the employee may receive information directly from the sponsor. Sources of training include government agencies, Indian training organizations, colleges and universities, medical or health centers, private organizations, professional societies, and various community training groups or associations as well as the IHS.

Question: What efforts are made to ensure that available training and education funds are used to provide assistance for individuals to obtain qualifications which will meet identified needs of IHS?

Answer: The IHS has instituted a Management Excellence Inventory (MEI) using an instrument available from the Office of Personnel Management. Over 560 IHS employees and supervisors have been evaluated and this program is ongoing.

An IHS Health Administration Residency/Fellowship Program is in the process of being developed and should be instituted by the end of FY 1986.

The Toward Excellence Program has been instituted in several IHS Areas and will continue to be made available to all IHS Areas and Headquarters.

A program to provide administrative training to IHS Clinical Directors and supervisors has been developed and will be completed during FY 1986.

Additional continuing education funds have been made available to the IHS professionals either for clinical or administrative training.

Fuel Costs

Question: Throughout the budget increases are requested for travel, rent, communications, and utilities. The budget justification was, of course, prepared prior to the substantial decline in oil prices. Please review these estimates in light of current prices and provide estimates to the Committee.

Answer: The following table compares the increases requested in the President's Budget for travel and rents, communications, and utilities with the recent Mid-Level review updates of the President's Budget using the current 2.9% GNP deflator.

	1986 Base	1987 President's Budget	Mid-Session Review Update (2.9%)
Travel and Transportation	$20,834,000	$ 931,000	$604,000
Rent, Communications, and Utilities	11,197,000	471,000	324,000
Total	$32,031,000	$1,402,000 1/	$928,000

1/ $932,000 of this increase would be supported from increased third-party reimbursements.

Sanitation Construction

Question: Based on 1980 census data, more than 40% of the IHS service population in Alaska and in the Navajo Area completely lack indoor plumbing. Three other Areas, California, Oklahoma, and Portland are very close to the national average with respect to the availability of indoor plumbing. Does the distribution of IHS sanitation construction funds mirror the identified areas of greatest need?

Answer: The construction of new/rehabilitated houses governs the distribution of sanitation facilities funds and that distribution has not necessarily directly mirrored the identified areas of greatest need. However, the Alaska and Navajo Areas (where the greatest need exists) have received the greatest amount of sanitation facilities funding for FY 1984-1986.

Question: Please provide a table showing the distribution of sanitation construction funds by Area for FY 1984-1986.

Answer:

Indian Health Facilities Appropriation
75X0391
Sanitation Facilities by Area
FY 1984 - FY 1986

Area	Area's % of National Need	FY 1984	FY 1985	FY 1986
Aberdeen	6.87	$1,126,000	$ 595,000	$1,510,000
Albuquerque	3.33	720,000	541,000	751,000
Alaska	28.82	4,664,400	5,205,600	4,306,000
Bemidji	0.82	1,643,000	1,756,400	1,684,000
Billings	1.55	1,487,600	1,052,000	995,000
California	2.47	930,000	781,000	833,000
Nashville	5.29	1,030,000	500,000	1,200,000
Navajo	27.20	4,500,000	7,300,000	8,070,000
Oklahoma	13.19	3,239,000	3,215,000	2,875,000
Phoenix	6.35	398,000	2,294,000	967,000
Portland	2.68	1,010,000	910,000	925,000
Tucson	1.43	252,000	350,000	235,000
HQ Emergency Funds	0.00	0	0	250,000
TOTAL	100%	$21,000,000	$24,500,000	$24,601,000

Question: Has the Department of Housing and Urban Development (HUD) made available necessary sanitation funding for homes built under their Indian Housing Program?

Answer: As of the end of FY 1985, IHS had received approximately $27,000,000 of $86,000,000 identified by HUD in contributions from the Indian Housing Authorities for offsite sanitation facilities.

The following HUD sponsored Indian housing projects are under construction, but off-site sanitation facilities funding is not available.

Area	HUD Proj. No.	Units Under Construction	$s Req. (x 1,000)
Nashville:			
Penebscot	ME 12-4	24	200
Seminole	FL 59-11 & 13	49	250
Total		73	450

Navajo/Hopi Relocation

Question: As no one has yet moved to the new lands, it is difficult to estimate the service population. Yet, once movement begins, there may be a substantial influx in a relatively short period of time. Given the time taken to rank a facility on the priority list for construction, and the amount of time prior to the actual funding for such construction, how would IHS recommend that health services be provided in this area?

Answer: The Navajo Area, IHS, has prepared a Program Justification Document for the potential health services workload in the New Lands. The workload need will be evaluated and rated with other identified Indian health facility needs and placed on the priority list as appropriate. During the interim, the IHS will serve the relocations as best possible using existing resources. If an exigency situation develops, the IHS will discuss the problem with the congressional committees in advance and will initiate appropriate interim health care such as a temporary clinic.

Hospital Construction

Question: There are several very expensive construction projects which are high on the priority list: Anchorage with an estimated cost of about $100,000,000; Shiprock with an estimated cost of $50,000,000 and Kotzebue with an estimated cost of about $30,000,000. At the same time, there are requirements for construction of health centers, quarters, and sanitation facilities.

Given the budget constraints we will be facing for at least the rest of the decade, it is important that we not make commitments which cannot be met in a timely fashion. Assuming an annual funding level of $50,000,000 for all construction activities through 1991, what is the appropriate distribution of these resources?

Answer: For a $50,000,000 annual facilities program, the IHS recommends $25,000,000 hospital, clinic and quarters construction, $5,000,000 modernization and repair of facilities, and $20,000,000 sanitation facilities construction.

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

Kanakanak Hospital

Question: I would like a status report on construction of the 26 units of personnel quarters for the Kanakanak Hospital in Dillingham, Alaska for which Congress appropriated $4,200,000 in FY 1986. The use of these funds was delayed by the President's rescission request which expired on April 15th.

In light of the shorter construction season in Alaska, it is important that the quarters construction get underway as soon as possible. It is my understanding that the Bristol Bay Health Corporation, for which the Kanakanak Hospital was built, has requested that Choggiung, Ltd., the contractor which built the hospital, perform the quarters construction as well. Choggiung has asked for a modification of its P.L. 93-638 contract in order to perform the construction work. Has the IHS acted on the requested modification? What is the IHS time-table for authorizing a construction contract and allotting the appropriated funds for that undertaking? Will this time-table allow sufficient time for the chosen contractor to complete construction by next spring?

Answer: Choggiung, Ltd., has not submitted any P.L. 93-638 proposal for quarters design or construction. They have submitted a letter of intent stating that they are planning to build the quarters via the P.L. 93-638 route. The Alaska Area Native Health Service is working with Choggiung to help them prepare the P.L. 93-638 proposal.

Funds for designing and constructing the quarters will be apportioned in the fourth quarter of FY 1986. Upon submittal and approval of the Choggiung P.L. 93-638 proposal, a contract can be signed by September 1986. The design can be completed and construction begun as soon as weather permits. The construction schedule is dependent upon the formal submittal of a P.L. 93-638 proposal and the preparation of the architectural/engineering design. It is unlikely that construction will be completed before the end of summer (1988).

Question: In January of this year, the Alaska office of IHS authorized 41 additional full-time positions to operate the Kanakanak Hospital for the Bristol Bay Area Health Corporation. The estimated funding need for FY 1987 was set at $2,069,000. I am now told that the IHS will authorize only 26 additional staff positions and that these positions, in combination with the current number of staff positions, equals 89% of the IHS wide average for hospital and clinic staffing levels. Will Kanakanak

Hospital actually be staffed at 89% of RRM if it obtains 26 additional staff persons? When you make this calculation, do you factor in monies obtained through third-party reimbursements, IHS funds, and other alternate resources.

Answer: For the first year of operation, the IHS strategy was to request resources for Kanakanak which would result in a funding level not less than 89% of the RRM requirements for the existing health care delivery system and actual service provided. For the Kanakanak Hospital, 26 additional positions were requested for FY 1987 to bring them to an average funding level of 89%. An additional 11 positions are requested for FY 1988 to meet 100% of the RRM requirements.

The available resources utilized in the determination of additional need were those funded through the IHS contract. The Bristol Bay Area Health Corporation utilizes its collections from third-party reimbursements and other tribal funds for the provision of health programs not included in the IHS contract; i.e., expanded dental program with a wider range of services than if IHS were providing the services direct.

Blood Quantum

Question: I understand that IHS may be considering imposing a minimum American Indian/Alaska Native blood quantum requirement for inclusion in the IHS service population.

Please identify the statutory authority possessed by IHS to impose such a blood quantum requirement.

Answer: The Supreme Court interpreted the Snyder Act in a landmark case entitled Morton v. Ruiz, 415 U.S. 199 (1974). The court noted that the Snyder Act did not provide eligibility requirements or the details of any program. The court went on to make it very clear that Federal agencies administering Snyder Act programs have the power to define eligibility requirements and limit program benefits in accordance with rational standards.

Most instructive in this regard is the Court's statement that:

> "...if there were only enough funds appropriated to provide...for 10,000..Indian beneficiaries and the entire eligible class...numbered 20,000...an eligibility standard to deal with the problem...might leave some of the class otherwise encompassed by the appropriation without benefits."

Please note that the proposal does not attempt to define for tribes who their members are, rather it defines who would be eligible for services from the IHS.

Blood quantum has traditionally been used as a measure of eligibility for Indian claims awards. Futhermore, a 1/4 degree requirement is consistent with the membership requirements of many tribes.

Question: What is the Department's rationale for imposing this requirement? Include any fiscal considerations.

Answer: We propose tightening IHS eligibility requirements based on tribal affiliation, degree of Indian ancestry, and residence within a defined geographic service area. The rationale for this is to set limits on the eligible service population thereby enabling us to provide more services within the limited IHS resources available, to better allocate our resources based upon clearly defined local service populations, and to enhance coordination of patient care in IHS and non-IHS facilities by establishing precise eligibility requirements applicable to both direct and contract health services.

Question: How does the IHS proposed blood quantum requirement compare to the rule utilized by the BIA in determining eligibility for BIA programs?

Answer: BIA uses different eligibility rules for different programs. Blood quantum has in the past been used as a criteria for some BIA programs. Blood quantum is still used for Indian preference in employment purposes.

Question: Has the Department issued a Notice of Proposed Rulemaking on this issue? Has a time table been established for issuance of any proposed regulations?

Answer: The proposed rule was published in the Federal Register on June 10, 1986. Written comments must be received on or before October 8, 1986.

Question: Please explain how the proposed blood quantum requirement would modify services currently provided to Alaska Natives residing in Alaska?

Answer: We do not expect any significant change in Alaska. One-quarter (1/4) or more Alaska Native blood is generally required for enrollment in Alaska Native Corporations.

Question: I would also like to know whether this proposal will increase the administrative costs of running IHS programs in Alaska?

Answer: There should be minimal effect because one-quarter or more Alaska Native blood is generally required for enrollment in Alaska Native Corporations.

Metlakatla

Question: The Metlakatla Indian Community plans in the near future to file an application with IHS to operate programs of the Annette Islands Service Unit under P.L. 93-638. Does IHS plan to fill the vacant service unit director position at the Annette Island Service Unit in the near future? I understand that failure to do so would lead to a deterioration of the management of this Service Unit.

Answer: Discussions at both the Metlakatla Community and the Anchorage Area Office have been conducted in regard to filling of the vacant Service Unit Director's (SUD) position at Annette Island.

The decision has been made that the SUD position will not be filled until after the arrival of a new clinical director, which is scheduled for August 1, 1986. At that time, the position of the SUD and the clinical director may be combined. There are several reasons for deferring the filling of the position.

- The position of the SUD was encumbered until May 1, 1986 at which time the incumbent retired.
- Funding limitations, in keeping with the 1% budget sequestration, precluded immediate filling of the position.
- The SUD position is not a full-time position, and could possibly be combined with another position.
- While a short term gap is created in the service unit management, the health services will be not be compromised.
- If the service unit operation is contracted under P.L. 93-638 provisions, the Metlakatla Community would have greater flexibility to select a health program manager at that time.

Question: I am concerned about the status of Medicare collections at the Annette Islands Service Unit which provides health care services for the Metlakatla Indian Community. Please delineate the Medicare and Medicaid collections attributable to services provided at the Annette Island Service Unit during the past two years. Explain how those funds have been expended.

Answer: In FY 1984, $22,792 was collected and in FY 1985, $4,400 was collected. The funds were used to pay their pro rata share costs of the Patient Care Information System.

Bristol Bay

Question: I understand that IHS will cease to provide funding for Public Health Nursing (PHN) to Bristol Bay Area Health Corporation at the end of FY 1986.

Please explain the Department's rationale for this decision, including any fiscal considerations.

Answer: The IHS recognizes that the State of Alaska has the responsibility to provide PHN services to all its citizens including the Alaska Natives living in rural areas with unique needs. To meet the direct care needs of the Alaska Natives living in villages, the IHS created the Community Health Aide Program (CHAP). This is not the same as the PHN Program.

The contract with the Bristol Bay Area Health Corporation contains funding for CHAP/PHN to provide continuing primary health care and emergency medical services to 31 villages in Bristol Bay.

The Department's decision was to discontinue the expenditure of PHN funds for the support of the CHAs and utilize Hospitals and Clinics funds instead. This change reflects more appropriate utilization of designated funds for PHN. There is no actual loss of funds to Bristol Bay Corporation because of the reallocation of funds.

Question: Will the absence of PHN decrease preventive services in this Area?

Answer: There should be no change in public health nurses since they are provided by the State of Alaska. If there were an absence, it would decrease preventive service in this area.

Question: Did the Department's decision take into consideration the fact that providing preventive health services to Alaska Natives actually saves the Federal Government money in the long run?

Answer: Yes. This is the primary reason for the reallocation of funds so that PHN funds would be used to provide preventive health services for which they were designated rather than to fund the Community Health Aide Program which provides primary medical and emergency medical care.

Resource Allocation

Question: I understand that the IHS may plan to reduce funding levels for service units based on the availability of State health assistance to American Indians and Alaska Natives. How can this be done without discouraging Alaska Native communities from seeking such supplemental health assistance from states? Has IHS examined the amount of state assistance available to Indians and Alaska Natives throughout the U.S. so that any adjustments in IHS funding can be made equitably? Please describe the extent of the consultation which has taken place between IHS and the State of Alaska on this matter.

Answer: It is necessary and appropriate for IHS to account for alternate funding in the assessment of relative need. The IHS may then direct relatively more funds to those places with relatively greater residual need. Until such time as the Federal responsibility is legislated as "entitlement" oriented, the IHS considers its responsibility as beginning at the point where State and local programs cease (American Indians and Alaska Natives being entitled to such benefits by right of citizenship). In fact, were IHS not to take these resources into consideration, it would be asking tribes with less of these resources to provide an offset for the benefit of tribes in states with alternate resources.

The IHS encourages active utilization of alternate health care and funding where available under the premise that limited IHS funds may be focused upon areas where alternatives are not available. As a specific incentive, IHS has identified a percentage of alternate resources (10% for FY 1986) that will not be counted against needs. This constitutes a monetary incentive in addition to the regulatory requirement to seek such resources. Naturally, local health program managers also seek such resources as part of their desire and obligation to maximize health care for their service population.

The IHS has chosen not to count state resources against need in FY 1986 for determining funding needs of Areas. Such resources will count in future Area RAM applications when IHS has completed a comprehensive assessment of State resources uniformly for all states. However, some Areas may count State resources in application of service unit RAMs depending upon the completeness and validity of State data that is available for all service units. Counting State resources in the service unit RAM will not necessarily affect redistribution of Federal resources between States, only between service units within States.

The Alaska Area IHS staff hold regular quarterly meetings with the Commissioner, Department of Health and Social Services, (DHSS), State of Alaska. A variety of health program issues for Alaska Natives are discussed at these meetings. The Alaska Area IHS staff and DHSS staff also communicate routinely by phone and mail as necessary.

P.L. 93-638

Question: The following questions involve P.L. 93-638. Does IHS plan to provide funding for 638 contract administration when no separate category is included in the Department's budget request for that purpose?

Answer: The RRM, as used in the Service Unit Resource Allocation Methodology (SURAM), has a module which estimates the need for unique tribal administrative costs and the costs of executive direction for P.L. 93-638 contracts at various ranges of dollar amounts of the contracts. When documented and justified by the P.L. 93-638 contractor, these amounts are included in the total amount of resources needed for carrying out the contract. In the absence of a special appropriation for these administrative costs, they will be funded out of program funds available for the support of all the costs of the contract and at the same level of need funded for all other estimated costs.

Whether or not IHS should budget for these costs presents a question of administrative policy which is beyond the scope of SURAM. The SURAM would, however, clearly identify and justify the need for additional funds for such costs.

Question: Would a failure to provide such funds lead to a deterioration in services?

Answer: No, as stated before, when documented and justified, contract administrative costs are included in the total amount of funds provided for carrying-out the contract.

Pilot Programs

Question: The IHS announced on April 22, 1986, a pilot program with the Norton Sound Health Corporation and the Mississippi Band of

Choctaw Indians to identify unique tribal and administrative and "executive direction" costs under P.L. 93-638, and to develop a "reasonable, rational, equitable and defensible" process to allocate IHS resources. In the pilot project IHS average salary for the Norton Sound program in Nome and the actual Service Unit average costs for Mississippi Choctaw were used as a ceiling. In Nome, the living costs are much higher than the Alaska Area average and Norton Sound actual salaries are also higher than the IHS Alaska Area average. In Mississippi, however, the present average cost per Full Time Equivalent (FTE) is significantly lower than the Eastern area average. Were these seemingly inconsistent approaches adopted to hold down federal financial support for the two programs? If not, what other reasons were there and how can the approach be considered reasonable and equitable? Does IHS plan to allocate resources based on an Area average cost per FTE or actual service unit cost, whichever is lower? Does IHS have any plan to adjust for service units located in unusually high cost regions, such as the Seward Peninsula in Alaska?

Answer: Two tribal P.L. 93-638 contractors, the Mississippi Band of Choctaw Indians and the Norton Sound Health Corporation, were dissatisfied with their FY 1985 contract funding level and accepted the IHS invitation to participate in a Pilot Project. The purposes of the Pilot Project are to:

1. Identify the unique tribal administrative and executive direction costs tribal contractors incur in operating health programs under P.L. 93-638 contracts that the IHS does not incur directly if the IHS operates the programs.

2. Develop a process that is reasonable, rational, equitable, and defensible for allocating resources, considering the best use of all available health care resources, to achieve relative comparability of the level of need funded for both IHS and tribally contracted health programs.

The process developed must be applicable to all other IHS and tribal P.L. 93-638 service units, hospitals, and dental clinics.

The commitments made to both participants in the Pilot Project were:

1. After determining the level of need funded for each of the Pilot Project participants:

    a. If either tribal contractor's level of need funded is at or above the national average level of need funded for all service unit health programs, the contractor will be funded at no less than its FY 1985 funding level.

    b. If either tribal contractor's level of need funded is below the national average level of need funded for all service unit health programs, the IHS will in FY 1986 provide funds to bring the "deficient" level of need funded for the total program to the national average level.

2. At any time during the pilot project, each participant is free to choose to negotiate its FY 1986 contract either by the current method or by the "new" Pilot Project methodology.

As carefully explained to the two pilot project participants, the IHS assured that their funding would not be decreased in any way as a consequence of participation in the project; on the other hand, if we discovered a need for resources to bring them to the IHS average, then resources sufficient for this would be made available. The latter in fact has occurred. There could have been no misunderstanding of the IHS intention in this matter.

Since the Pilot Project experience provides one tribal contractor (MBCI) whose actual average salary level is below the Area Average, and one tribal contractor (NSHC) whose actual average salary level is above the Area Average, we considered such variances by using the actual average salary level up to, as a maximum, the Area/Program "Mid-Level Salary." Accordingly, the MBCI actual average ($23,638) is below the Area Average ($25,668), the $23,638 figure was considered to be appropriate for use in the Pilot Project.

NSHC includes an actual "Mid-Level Salary" of $42,800 in its computation, a figure 15% above the current Alaska Area IHS "Mid-Level Salary." The process developed through the Pilot Project must be applicable to all other IHS and tribal P.L. 93-638 service units, hospitals, and dental clinics. Therefore, for purposes of consistency and reasonableness, the current Alaska Area IHS "Mid-Level Salary" was used as a maximum in the RRM-RP for NSHC for the Pilot Project.

The Alaska Area IHS "Mid-Level Salary" has been recalculated ($37,655) to include NSHC data as follows:

	No. Positions	Average Salary	
Alaska Area	1,122	$37,000	
NSHC	143	42,800	(from NSHC Proposal)
Total	1,265	37,655	

The Alaska Area IHS "Mid-Level Salary" ($37,655) is already above the IHS National "Mid-Level Salary" (approx. $29,000).

There appears to be no factual data to justify that Nome has significantly higher costs than other remote areas of Alaska. Consequently, there does not appear to be justification for a "Mid-Level Salary" higher than that for the Alaska Area IHS when the Alaska Area average is computed using data for all remote service units.

A P.L. 93-638 contract does not specify the number of positions the contractor must use to carry out the terms of the contract. The NSHC 100% budget proposal identifies the need for about 143 Full Time Equivalent (FTEs). The IHS RRM Requirements Projection (RRM-RP) dated April 9, 1986 documents a need for 196.9 FTEs. Thus, the NSHC RRM-RP includes 196.9 FTEs at a "Mid-Level Salary" of $37,655 which describes the resource need (100 percent) for operating a comprehensive health program. The

NSHC apparently does not plan to fill approximately 50 of these positions. Once the NSHC P.L. 93-638 contract is negotiated for FY 1986, the NSHC will be able to manage the program with flexibility within the total amount of the contract so long as the contract scope of work is achieved and the services are satisfactory. Furthermore, NSHC is of course free to establish its own salary/wage scale.

Question: In the pilot project for Norton Sound Health Corporation, IHS explained that an "isolated factor" is theoretically included in the RRM system, but did not apply it to determine Norton Sound's need. In the case of Norton Sound, would the application of an isolation factor lead to a more reasonable and equitable level of funding? Would this also be true generally?

Answer: The IHS recognizes regional variances in a variety of program factors, some of which are related to "isolation." While identifying such a need, the pilot project was unable to specify a precise accounting of "isolation" that would be uniform and consistent for all Alaska service units and service units in the lower 48 states. Alaska Area has already initiated supplemental work on resources allocation in which one objective is to refine an acceptable approach for reflecting isolation in the RAM or Alaska. When incorporated, the isolation factor should increase the precision of the RAM models in all service units.

Question: In the pilot project for Norton Sound Health Corporation, IHS established a dollar amount for "unique tribal administrative costs." The purpose of the dollar amount calculation was to prevent the need to use the RRM determined program funding level for administrative and executive direction costs. I understand that IHS then applied 89% to this amount based on an average funding level of 89% for hospitals and clinics programs throughout IHS. Does this reduction, when applied to actual tribal administrative costs (such as actual costs of insurance, financial record-keeping and reporting), require the contractor to use program funds to pay such costs? Would this not result in a financial penalty for contracting under P.L. 93-638?

Answer: Officials have requested that the actual cost items in the RRM-RP be funded as "pass-throughs" at 100% rather than 89% to permit full funding of such items in the contract. The request was rejected with an explanation that each of the elements of the RRM-RP contributes to a total (100%) resource requirement describing the operation of a comprehensive health program according to the modules included in RRM, including some actual cost items. This 100% resource need is compared to the national average level of need funded (89%) for application as part of the Pilot Project. Once P.L. 93-638 contracts are negotiated, contractors will be able to manage the program with flexibility within the contract amount so long as the contract scope of work is achieved and the services provided are satisfactory.

Question: Does IHS plan to apply this approach generally?

Answer: Yes, IHS plans to apply this approach to both P.L. 93-638 contractors as well as IHS direct program operations.

Question: Have you consulted with 638 contractors in Alaska on this point, and if so, what comments have you received?

Answer: Norton Sound Health Corporation in Alaska expressed their desire to be included in the Pilot Project and in doing so they participated fully. This precisely was the purpose of the Pilot Project.

A workshop on the SURAM will be conducted for IHS Area/Program officials and selected tribal representatives on July 22-25. The IHS officials will then conduct similar review and orientation workshops in their own Areas/Programs for IHS and tribal contract officials. The comments made by 638 contractors in the area-wide meetings will be taken into consideration before the approach becomes final.

Question: I am informed that IHS did not include an adjustment for depreciation of the Norton Sound Regional Hospital in the "unique tribal administrative costs" category. Does this policy conform with federal cost principles and section 106(h) of P.L. 93-638?

Answer: In accordance with section 106(h) of P.L. 93-638, the IHS does not allocate health services funds for depreciation of hospital or clinic facilities. Congress funds new construction separately on a project by project basis through a facilities construction appropriation. Consequently, we have not included funds for facility depreciation in calculating the allocation of IHS funds to NSHC. The issue of funding the construction of a new facility, whether by an appropriation or by the use of federal funds for a depreciation reserve is a matter for Congressional decision based on national IHS facility priorities.

Question: Will the contractor be required to pay the depreciation from other funds provided to meet RRM and administrative needs?

Answer: Depreciation is not included in the RRM. P.L. 93-638 contractor may choose to use their secured reserve derived from third party reimbursements to include a depreciation account. However, IHS funds may not be used for depreciation.

Question: Will the need to allocate funds for the depreciation reduce funding available for services?

Answer: Depreciation is not included in the RRM; therefore, IHS funds may not be used, and funding for services will not be reduced for this purpose.

Question: I understand that in the pilot project for Norton Sound Health Corporation, IHS reduced the amount of funding to be provided by $2.3 million based on program income and State health grants. Identify the program income and State health grants that IHS included in its calculations prior to the reduction.

Answer: IHS did not reduce the funding by this amount. This is a popular misconception that IHS takes away money from the funding in the amount provided by other resources. An inspection of the funding for Norton Sound makes it clear that IHS has no intention of doing so. Once again, however, IHS takes into account all the resources available in a community before making allocations. This is done so that additional funding will be directed to those areas with the greatest resource deficiency before making additional funding available to tribes who already have additional health care resources.

The Norton Sound Health Corporation identified the following state supported programs and agreed to their inclusion in the IHS calculations:

Audiology
Community Mental Health Services
Eye Care Services
Office of Environment Health
Collections
Public Health Nursing
Village Health Services
Water Quality Management
Alcohol

Question: I understand that in the Norton Sound Health Corporation project, an independent auditor produced an analysis indicating that the funding need for Norton Sound should be offset by Medicaid/Medicare and private insurance collections by only $870,000. IHS claims an offset figure of $1.520 million. Does IHS consider the auditor's analysis unsound?

Answer: IHS considered the independent auditor's analysis, but was not persuaded by its outcome, and therefore, utilized its own analysis. Amounts were negotiated and agreed to by the Norton Sound Health Corporation. Once again, identification of these kinds of elements was precisely the reason for carrying out the pilot projects.

Question: Has IHS told Norton Sound Health Corporation that it must enter into a new one-year contract to commence June 1986 in order to receive the additional funding identified by the pilot project?

Answer: The IHS offered NSHC the option of staying with the old approach or accepting the new approach effective June 1, 1986. NSHC agreed to the application of the new approach effective June 1.

Program Information Documents

Question: I understand that IHS recently changed its system for determining program needs and priorities - the old Program Information Document (PID) system. Can you tell me what the new system is and why it was instituted? Will projects initiated under the PID system be placed in an equivalent position under the new system? In other words, will credit be given for efforts expended for a PID?

Answer: In the past, the IHS has experienced many delays and difficulties while trying to obtain facilities planning document approval. The old system required that the IHS submit a complete PID before a program decision was made to construct a facility. We believe that our health program managers have the information they need to make the basic decision, and that the document used to justify health facility construction need not include the specifications and technical criteria required to design the facility. The purpose in establishing a new procedure was twofold: it allows program managers to make program decisions, and it is designed to expedite the facility approval process by addressing the design technicalities of the facility in a second document which undergoes a streamlined, simplified approval process.

An examination of the present facilities planning process indicated that the PID was being used to serve three different purposes. First, it was used to obtain approval for programs and services; second, it was a budget justification document; and third, it contained technical requirements and served as the contractural document used by architect/engineering firms to design the facility. To be consistent with the other Bureaus, we have decided to rename the document containing the specifications and technical criteria (the old PID) as the Program of Requirements (POR).

In addition, a document that would precede the POR was created. This document, by the nature of the information that it included, would be identified as a Program Justification Document (PJD). When completed, the PJD would contain all information needed to enable program managers to decide whether a facility should be constructed and the types of programs and services that should be provided. The same basic information that was required before (in Pre-PID forms) would be incorporated into this document. The only additional information requirement included would be a cost analysis and a more indepth evaluation of potential alternative resources.

The new system has not changed the priority ratings of the top ten hospitals or health centers. PIDs that were prepared have been converted to the new system.

Mt. Edgecumbe

Question: The Mt. Edgecumbe Service Unit was transferred in January 1986 to the Southeast Alaska Regional Health Corporation. However, several years prior to this transfer, the Alaska Area Office and IHS Headquarters agreed that numerous repairs were needed to bring the hospital up to Code. The PID was completed and recently subject to revisions following a change in the number of beds IHS will fund at the hospital. Does the new system for determining program needs and priorities give the Southeast Alaska Regional Health Corporation credit for the fact that a PID was completed on those repairs?

Answer: In the application of the IHS Priority System for inpatient facilities, the Mt. Edgecumbe facility did not place in the top ten and, therefore, was not included in the IHS Facilities Plan for funding. Because the hospital scored low, it was decided that a long-range plan be developed so that repairs could be accomplished over a period of several years. The PID was developed only to determine the needs at the facility and not as part of the IHS Facilities Plan for construction. This project is not on the priority list of 20 facilities for the IHS construction program. Repairs will be funded from maintenance and repair funds and Medicare/Medicaid funds as they become available.

Question: I understand that $700,000 was included in the FY 1987 budget request for repair of the ventilation system at Mt. Edgecumbe Hospital. Is $700,000 sufficient to cover all the ventilation work that is needed at this hospital?

Answer: The IHS hospital at Mt. Edgecumbe has been cited by the JCAH numerous times in the past 10 years for heating, ventilating, and air conditioning (HVAC) system inadequacies. Other deficiencies have also been identified by the Southeast Alaska Regional Health Corporation (SEARHC) which operates the facility at Mt. Edgecumbe under a P.L. 93-638 contract with the IHS. Included among recommendations in the SEARHC Hospital Master Plan is relocation of the laboratory to a vacant area on the first floor of the East Wing. All identified deficiencies directly impact patient care and those cited by the JCAH jeopardize accreditation which affects the hospital's ability to collect Medicare/Medicaid reimbursements.

Most of the JCAH-cited HVAC deficiencies are concentrated in the hospital's nursery (Floor 1/North Wing), Isolation/Recovery Rooms (Floor 2/North Wing), and laboratory (East Wing). The $700,000 included in the FY 1987 budget request could be used to correct the JCAH-cited HVAC deficiencies; however, the work so accomplished would not address the total HVAC problem, would be a stop-gap measure intended to satisfy JCAH concerns only, and would probably be abandoned when a central system is installed for the entire building. Therefore, the IHS plans to use the funds made available in FY 1987 to design a building-compatible HVAC system for the first and second floors of the North Wing and to design and construct a laboratory on the first floor of the East Wing.

Question: Would it be more cost effective to do all work needed on the ventilation system at one time, rather than piecemeal?

Answer: Economies would be realized if all necessary HVAC work were to be accomplished at the same time; however, the IHS budget request for FY 1987 includes $700,000 to correct only the JCAH identified (most urgent) HVAC deficiencies. Accordingly, in order to avoid having to abandon HVAC improvements made with FY 1987 funds, if a building-wide HVAC improvement project is undertaken later, we plan to use a portion of the FY 1987 funds requested to design a building-compatible HVAC system for the first and second floors of the North Wing, and to design and construct a relocated laboratory in the East Wing. Funds needed to accomplish the HVAC work ($1,500,000) will be included in the FY 1988 budget request. This approach will allow the IHS to correct North and East Wing HVAC deficiencies economically without significantly modifying FY 1987 or FY 1988 budget requests.

Resource Allocation Methodology

Question: I understand that IHS is in the process of implementing a new Resource Allocation Methodology (RAM) for distribution of appropriated funds. RAM has been used on a limited basis in FY 1986, and will be used more widely in FY 1987. As IHS has acknowledged, RAM is a radically different distribution method than the one in use until now. I am therefore concerned by reports that there has been little opportunity for tribes, tribal organizations, and IHS field offices to contribute to the development of the methodology. Other than several "workshops" to be held in July 1986, what plans does IHS have to seek tribal and local IHS input to the development of RAM? Will all tribal contractors be invited to participate in the workshops, and will information on individual components of RAM be available? Does IHS plan to publish RAM as an agency rule and invite public comments? In light of the short period of time between the workshops and the beginning of FY 1987, has IHS considered postponing the implementation of RAM so that there will be time to refine it, if need be, based on tribal and local input?

Answer: The proposed RAM is not new in principle but rather an improvement or a refinement to the existing methodology that was utilized to distribute equity funds. As mentioned, it is not a radical departure from other resource allocation efforts of recent years including the methods used to distribute the Equity Health Care Fund. The current proposals built upon methods developed over a number of years (the RRM for example) which were developed with broad input and have been widely distributed.

Recent developments were initiated specifically to seek detailed input from two pilot projects as representatives of contractors.

The planned workshops will be presented for two specific purposes:

1) Educate IHS field staff, tribal contractors, and other tribal officials about the framework, concepts and technical details of the RAM as it currently stands.

2) Solicit review and contributions regarding the RAM. A vital component of these sessions will be the weighing of important policy tradeoffs such as breadth and depth of coverage, residual versus incentives, and the speed of the reallocation process. This topic has been very widely discussed since early 1983, as part of the "Equity" process and the so called Contract Health Services Task Force Report of December 1982, and is in response in part, to widespread tribal requests.

Each Area will hold "workshops" for their constituent tribes and service units. All tribal contractors will be invited to participate in these Area workshops. The input obtained from all workshops will be compiled and used to shape specific features of the RAMs for each Area as well as potential material for shaping the framework of RAM for all Areas.

When the RAMs are sufficiently refined, the IHS will publish a general notice for public review and comment.

The IHS will consider all tribal and field input obtained during and after the summer workshops in further refinement of the RAM and in development of the implementation timetable. In addition, the specific tribal participation by Mississippi Band of Choctaw Indians and Norton Sound Health Corporation in the pilot projects extended over several months of intense mutual study.

Questions: I understand that in FY 1987, IHS plans to apply RAM to all service units, hospitals, and dental clinics, including those operated by Alaska Natives. Will RAM be applied to the entire IHS appropriation for these programs, a portion of it, or just to increases in appropriations? Please address your response to both the area office and service unit level. What will the IHS policy be if RAM calls for a substantial or possibly disruptive decrease in funding for an individual area service unit, or other program?

Answer: Currently the RAM focuses upon hospitals and health clinics and dental clinics. Plans call for an extension of the RAM to other programs.

The IHS has no plans to apply the Area RAM (ARAM) to the entire appropriation in FY 1987. Consistent with the IHS strategy of supplying resource allocation decisions at two levels (Headquarters to Areas and Areas to Service Units), the amount of each Area's appropriation applied to the Service Unit RAM will be decided independantly for each Area. Each Area will be encouraged to apply at least that portion of their appropriation obtained as a result of the ARAM to their Survice Unit Resource Allocation Methodology.

IHS recognizes the necessity to moderate change in an orderly manner. Should shifting funding needs between Areas and Service Units require reductions in funding, these reductions would be limited to a modest percentage during any fiscal year. The policy of IHS will remain the same as throughout the Equity funding period, that is, if it becomes necessary, in order to continue towards equity, reductions in existing programs will be kept to a minimum and disruptive actions will be avoided.

Question: If IHS applies RAM to the entire appropriation for service units, hospitals, and dental clinics in FY 1987, what will the likely percentage affect be on the Alaska area? If it is estimated that there will be a decrease, what factors within RAM likely account for the decrease?

Answer: As I just mentioned, the IHS has no plan to apply the allocation methods for areas to the entire appropriation. The IHS proposes to phase in the approach over a period of years, both to allow for adequate adjustment periods and time to further refine the methodology and data.

The fundamental premise of the RAM is to fairly compare the funding levels of each Area relative to the others. Comparing factors relative to other areas, Alaska's percentage may be effected by relatively liberal state funded health programs and by the relatively low percentage of Alaska Natives who do not currently receive care of any kind from IHS or IHS funded health programs.

Question: There are many costs of providing health care that are much higher in Alaska than elsewhere in the United States. These include utilities, transportation, and salaries. Are these higher costs taken into account under ARAM as applied at the area level? How are these costs taken into account? How was the cost data collected?

Answer: Cost variances between all Areas are taken into account in the ARAM. Salary levels for ARAM are based upon actual Area averages. In particular, 25% COLA is applied to Alaska personnel expenses. Variable costs such as utilities, transportation, freight, and travel are based upon a weighted combination of actual local expenses and national averages. When these costs fall far beyond the normal range, local IHS officials will be required to investigate the reasons for the deviation. If such costs are found to be justified, then high costs may be essentially passed through the RAM at the discretion of the reviewing official.

Dental Health - RAM

Question: RAM is being applied to over $500,000 of the IHS dental funds in FY 1986. Please describe the RAM dental allocation formula as it is applied to Alaska.

Answer: The Dental Program was one of three IHS budget activities identified in FY 1986 to develop and implement a new resource distribution method. About $2.1 million (6%) of dental direct and contract funding was distributed in FY 1986 using this methodology. The Dental Resource Allocation Model (DeRAM) that was developed consists of three parts: DEFICIENCY (weighting 50%); EFFICIENCY (weighting 30%); and PREVENTION (weighting 20%).

1. Deficiency: the relative capacity of an IHS area to deliver basic dental care. This module recognizes equity as a primary objective and encourages broad utilization of primary oral health care services. Area-specific treatment needs data from the FY 1983-1984 IHS Oral Health Survey, area utilization rates, and average costs of services delivery for each area were used to calculate the cost of delivering dental emergency, preventive and basic care services only. This amount was then compared to the dollars available to an area to establish the deficiency of each area. Areas fell into about five groups according to their deficiencies and those with greater deficiencies received a greater proportion of funding. Alaska was in the group with the second highest relative need. Based on this and a population weighting factor, Alaska received about 11% of the funds distributed by the deficiency portion of the DeRAM.

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2. Efficiency: the relative efficiency with which care is provided in an IHS area. The high level of unmet dental needs among American Indians and Alaska Natives for even basic levels of care and the need for public accountability, especially in these times of scarce resources, make it especially important for the IHS to ensure that its delivery program is both efficient and effective. Clinical programs that are efficient are better able to meet the demand for dental services than are less efficient ones. The intent of the efficiency model is to direct more resources to those areas with greater overall efficiency by identifying a portion of funds that will encourage programs to provide the highest volume of care that is professionally appropriate to its circumstances.

   Productivity on an area-wide basis was analyzed by looking at the cost per service minute (dental services weighted to allow for the amount of time it takes to perform them) and the number of service minutes per dental staff available. Allowances were made for the relatively higher cost and travel time associated with the delivery of services in Alaska. Productivity was fairly consistent across all areas making it possible to identify two groupings. Only two areas (Navajo and Billings) were identified as significantly more efficient than the others. However, all areas received at least some funding based on their respective grouping and population weighting. Alaska was in the second group and received about 7% of the funds distributed by the efficiency portion of the DeRAM.

3. Prevention: the effectiveness of oral disease prevention methods. Since water fluoridation is the most effective means of preventing dental decay and because performance in this area can be readily measured using our existing data base, compliance with the IHS water fluoridation policy was chosen as the principal variable in this component of the model at this time. The effectiveness of water fluoridation depends on consistently maintaining the fluoride level within the appropriate range. Most U.S. water systems monitor these levels on a daily basis. Due to the small size (often accompanied by a lack of full-time water plant operators) and isolation of many systems serving American Indians and Alaska Natives, the IHS policy established in 1980 requires minimum sampling at weekly intervals. The IHS average is currently about two samples a month, although it has been steadily rising for the past four years. Because the DeRAM was used for the first time in FY 1986, we elected to set an average of just two reports per month as the standard for an area to be considered for funding. The DeRam Prevention component incorporates both frequency and reporting and maintenance of appropriate fluoride levels because the reliability of the data increases with the frequency of reporting. In other words, if the two systems are reported to be within range for a given month, it is more likely that the system

reporting each week has maintained consistent levels of fluoride than the one that reported only once for the month.

Although Alaska reports a relatively high average number of systems maintaining levels within range, the area has elected to require only one sample per month from each system. As a result, Alaska reported zero on this in FY 1985 in which the standard of two samples per month was met. Furthermore, the FY 1985 average number of Alaska water systems that did not report at least one sample per month was 23%, the highest non-reporting rate of all IHS areas. Therefore, Alaska was among five areas that did not receive funding under the prevention portion of the DeRAM. The Alaska Area is in the process of submitting a request for a temporary waiver to IHS policy. If it becomes clear that there is reasonable justification for Alaska to report less frequently than other areas, its participation in the prevention module in FY 1987 may be possible. Incidentally, this provides an excellent example that the process of identification of program deficiencies or ineffeciencies and the linking of this with resource allocation provides the IHS, for the first time, with a very potent management tool which both Congress and the Tribes have been requesting.

Question: Does IHS plan to work with Alaska dental programs to resolve complaints about the allocation formula, either in FY 1986 or subsequent years?

Answer: We have already invited comment on the model and will consider incorporating constructive suggestions into FY 1987 application. The IHS will also be analyzing the program-wide impact that the application of this model will have on our ability to deliver services throughout the IHS.

Questions: I understand that in using RAM, IHS will count 90% of "alternate resources," including third-party collections and state funds, against allocations for areas and local programs. At present, most of these resources are considered "program income" for tribal contractors and they are permitted to use such funds to increase health services. What effect will this proposal have on tribal contractors, such as those in Alaska, who collect much more from third-party collections than IHS programs do? Does IHS consider the uncounted 10% a sufficient incentive for tribal contractors to continue to maximize their collections? How often does the cost of collection exceed 10%? If IHS determines that state funds do not duplicate IHS programs, will this information be taken into account in allocating funds to all Alaska programs under RAM?

Answer: The IHS maintains that the Federal health services provided by IHS are residual to other available resources and that there is no entitlement to health care. Consideration of "alternate resources" in view of the residual assumption is therefore prudent and necessary in order to assure that scarce Federal health resources are directed at those gaps in care for Indians and Alaska Natives who do not currently have the benefit of alternate sources of health care. Counting alternate resources is not a departure from previous practice. IHS has included alternate resource assessments in its resourcing strategy for years. Not counting 100% of alternate resources is new, however. This reflects IHS' concern for balancing IHS' requirement as "residual source" with the need for reinforcing maximization of alternate care through additional monetary incentives beyond the regulatory requirement currently in the contract health care regulations that all alternate funding sources be exhausted prior to the Federal obligation.

Except for those American Indians and Alaska Natives with private health insurance, who represent a small fraction of IHS beneficiaries nationally and from whom IHS currently cannot collect, it is not clear that tribal contractors collect much more than IHS programs. In all cases, however, IHS will uniformly apply the same rules for counting alternate resources.

The IHS considers the 10% uncounted, alternate resources and any collections above the previous years level as resources not necessarily applied to services in the IHS scope. Since the costs for such collections and for all other fiscal activities related to patient acccounts are identified explicitly in the "needs" component of the RAMs, the 10% uncounted collections represent funds in excess of costs of collections, and therefore, serve as incentives (independent of the collections cost). The question of whether 10% or some other percentage is "sufficient" is the topic of much debate and remains to be ultimately resolved. Clearly, empirical data as to the impact of the 10% coupled with balancing of the relative strengths of the "residual" concept versus management incentives will be needed to finally resolve this issue.

In all cases, if state or other alternate resources are providing care that is beyond the scope of IHS services (they do not duplicate) then such resources will not be counted as available for providing services that IHS provides or would provide. Such resources do not enter the funding equations in any form.

Alaska Native Medical Center

Question: The Alaska Native Medical Center in Anchorage, Alaska serves as a tertiary referral hospital for Native patients of the Interior who are in need of an extended or extremely expensive hospital stay. In 1984, Congress appropriated $2 million for the first phase design of a replacement medical center. To date, the medical center has been unable to locate a land site upon which to build the replacement facility.

Describe what efforts have been expended by the IHS to assist the Medical Center in finding a suitable land site for the replacement facility? What is the status of the land site selection process at this time?

Answer: Extensive negotiations have been underway with the University of Alaska for several sites but these negotiations have been unsuccessful and have now been concluded. The IHS is now meeting with the Native Corporation and the City of Anchorage to identify alternate sites as expeditiously as possible.

Kotzebue, Alaska

Question: In FY 1986, approximately $2 million was appropriated for planning and design of a replacement hospital for the Maniilaq Association in Kotzebue, Alaska. I understand that in February 1986, the Maniilaq Association submitted to IHS its plans for the design and operation of the replacement facility. Has IHS reached a final conclusion with respect to the proposal submitted by the Maniilaq Association? Has the Maniilaq Association been informed of the conclusions reached by the IHS?

Answer: The Maniilaq Association has not submitted any formal proposal to design the Kotzebue facility. They have submitted a letter of intent. The Alaska Area Native Health Service is working with the Maniilaq Association to develop a proposal for this project. The Maniilaq Association has worked very closely with the IHS in the preparation of the Program Justification Document (PJD) for the Kotzebue Hospital and they are kept informed as to the status of IHS activities on the proposed replacement facility.

Barrow

Question: Staff housing for the Barrow Service Unit has been identified for several years as the number one unmet need for the North Slope Borough. This lack of adequate housing has resulted in several key staff positions going unfilled. Please report to the Committee on the status of these quarters and the IHS policy with respect to quarters construction.

Answer: Recently, the IHS completed a quarters inventory. A quarters priority system has been drafted and is being reviewed. The priority system will be instituted and the highest priority housing needs will be determined during FY 1986. The remoteness and lack of quarters alternatives for IHS employees at Barrow, Alaska, should result in a very high priority ranking for the Barrow Service Unit. As soon as the priority ranking of quarters needs is complete, the IHS will include the requirements for quarters projects on the facilities priority list and in the annual facilities plan.

SUBCOMMITTEE RECESS

Senator McClure. The subcommittee will stand in recess until June 3 at 2 p.m., at which time we will review the budget request for the fossil energy and clean coal technology programs.

[Whereupon, at 2:45 p.m., Tuesday, May 20, the subcommittee was recessed, to reconvene at 2 p.m., Tuesday, June 3.]

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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

TUESDAY, JUNE 3, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:10 p.m., in room SD–192, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure and Andrews.

DEPARTMENT OF ENERGY

FOSSIL ENERGY RESEARCH AND DEVELOPMENT

STATEMENT OF DONALD L. BAUER, ACTING ASSISTANT SECRETARY FOR FOSSIL ENERGY

ACCOMPANIED BY:

- JEREMIAH E. WALSH, JR., DEPUTY ASSISTANT SECRETARY, MANAGEMENT, PLANNING AND TECHNICAL COORDINATION
- KEITH N. FRYE, DEPUTY ASSISTANT SECRETARY, OIL, GAS, SHALE AND COAL LIQUEFACTION

PREPARED STATEMENT

Senator MCCLURE. Good afternoon. This is the time scheduled to review the fiscal year 1987 request for fossil energy research and development. For fiscal year 1987 the Department has requested $150,090,000, a reduction of $161,864,000, or 52 percent below the fiscal year 1986 adjusted level.

Testifying on behalf of the Department today is the Acting Assistant Secretary for Fossil Energy, Mr. Donald Bauer. Your full statement will be made a part of the record. If you will introduce those who may be testifying or assisting you today, we will proceed directly to the questions.

[The statement follows:]

STATEMENT OF DONALD L. BAUER

On February 5, 1986, President Reagan sent to the U.S. Congress his proposed federal budget for fiscal year 1987 — the first budget submitted in the Gramm-Rudman-Hollings era.

Contained within the Administration's proposed budget is a request for $150.1 million in total budget authority to continue fossil energy research. The request — part of approximately $1.82 billion proposed by the Energy Department in FY 1987 for energy research and development — embodies many of the same fiscal principals and goals as the President's overall budget submission.

It maintains adequate spending levels for those functions that would not otherwise be pursued by the private sector, i.e., generic, high-risk, long-term research. It ensures that adequate funds are available for research that truly benefits the general population, i.e., federal assistance for technologies that can economically manage the environmental impacts of fossil fuels. It continues to build a broad base of scientific data that will help shape the fossil fuel technologies of the 21st Century.

But perhaps most importantly, by reflecting this Administration's commitment to fiscal constraint, the FY 1987 Fossil Energy budget request will do its fair share in helping to bring federal spending under control and removing the last remaining obstacle to a future of continued economic growth.

Specifically, the Administration's FY 1987 budget request for Fossil Energy Research and Development can be summarized as follows:

	Budget Authority	
Coal	$ 82.227 million	
Petroleum	9.890 million	
Gas	5.252 million	
Program Direction & Management Support	40.221 million	
Cooperative Venture Pool	12.500 million	
Subtotal		$ 150.090 million
Prior Year Offsets	- 64.812 million	
FE Construction Transfer	- 2.074 million	
Appropriation Transfers	- .437 million	
Subtotal		$ -67.323 million
TOTAL (new Budget Authority)		$ 82.767 million

DEFERRALS AND OTHER OFFSET/TRANSFERS

As the above table shows, the Energy Department is proposing to conduct a fossil energy research program in FY 1987 at a total funding level of slightly more than $150 million. However, this budget figure can be significantly reduced in line with the Administration's funding priorities by applying currently unspent funds principally from those added in FY 1986 during the Congressional appropriations process and other unobligated balances identified by the Department.

In addition to the proposed deferrals, the FY 1987 fossil energy budget can be further offset by applying appropriation transfers of $2.075 million in unspent funds from prior year construction projects and $0.437 million in fees previously deposited in the "Energy Security Reserve" for guarantees of obligations for the Great Plains Coal Gasification Project.

COOPERATIVE R&D VENTURES POOL

The FY 1987 budget request includes a new initiative for a cooperative R&D venture approach in fossil energy. This new approach would be used in the applied research area, focusing upon general categories of technologies that are sufficiently mature to attract significant industrial interest.

In FY 1987, the Fossil Energy program proposes to make available $12.5 million for an initial phase-in effort that will help us to determine the best strategy for applying the cooperative venture mechanism, to stimulate interest within different parts of the energy industry, and to develop practices that will help us realize, as much as possible, the benefits of this approach.

Initially, the Fossil Energy program will confine the cooperative R&D venture pool to extraction-related technologies, such as:

- unconventional gas recovery
- oil shale processing
- enhanced petroleum recovery
- underground coal gasification

The program will also be open to other R&D concepts applied to U.S. deposits of oil, gas and shale that might be brought to the Department for consideration.

We recognize that there may be some initial reluctance in the marketplace to shift toward a different funding approach for industrial performed energy R&D. But that should not argue against the increased economic efficiency, market penetration, and more effective technology transfer offered by an improved funding mechanism. The cooperative venture initiative is intended to give the private sector a greater role in establishing federal R&D priorities. It will help ensure that tax dollars are applied to those research efforts that are most relevant to the trends and objectives of the marketplace. It will assist in the transfer of taxpayer-supported technology from the government to industry. And it will provide greater leverage for federal funds by increasing private sector cost-sharing.

The Department will not place tight constraints on the types of cooperative opportunities to be considered. As currently envisioned, however, the proposed program would solicit proposals with the following common characteristics:

- DOE will be a minority funding partner with at least two other industrial partners; the federal share will provide a maximum of 49 percent of the total funding for the venture;
- Assurance must be available that federal funds will not be displacing private sector funds;
- The taxpayer must be able to share in royalties or other profits from the venture, consistent with the government's funding contribution;
- Preference will be given to companies with a proven record of successfully obtaining and managing co-funding from private sources.

We recognize that additional details must be developed before this new initiative can be implemented. Therefore, we intend to work closely with Congress in developing a viable, effective venture pool approach that results in an efficient expenditure of tax dollars.

Further discussion of the FY 1987 Cooperative R&D Ventures Pool initiative can be found on pages 25-26 of this testimony.

CLEAN COAL TECHNOLOGY PROGRAM

In addition to the funds requested for conducting a basic and applied research program in fossil energy, the Department is carrying out the Congressionally-directed Clean Coal Technology Program, budgeted at $397.6 million for fiscal years 1986 through 1988.

On February 17, 1986 the Department issued a "Program Opportunity Notice" outlining the program's objectives, the evaluation criteria and the information requirements for prospective proposers. In accordance with Public Law 99-190, which made the funds available, the Department required a minimum of 50 percent sharing of project costs by the private sector. The Department also required that such cost sharing be on a dollar-for-dollar basis as expended during each phase of the selected projects. To ensure the broadest spectrum of cost-shared clean coal projects, proposals in all energy market applications were eligible. By April 18, 1985, the closing date for proposals, the Department had received 51 submissions. A compilation of public abstracts, submitted as part of the proposal requirements, is available. As required by P.L. 99-190, selection of prospective projects will be made on or before August 1, 1986.

When the Clean Coal Technology Program is complete, the demonstration projects it will have financed are expected to provide sufficient technical, economic, environmental, health and safety, and operational information at sufficient scale to enable the private sector to make rational commercialization decisions.

Additional details on the Clean Coal Technology program can be found on pages 27 and 28 of this testimony.

- COAL -

CONTROL TECHNOLOGY AND COAL PREPARATION

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1986 Revised[1]	FY 1987	Percent Change from FY 1986
Operating Expenses	$34.8	$33.3	$31.9	$18.1	-43.3%

[1] Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

Coal preparation is directed toward the development of advanced coal cleaning technologies that will reduce the ash and sulfur content of U.S. coals. The resultant product can be formulated into a high quality fuel that could replace oil and/or gas and reduce environmental emissions of suspected acid rain precursors from coal-fired power plants in both new and retrofit applications.

The FY 1987 coal preparation budget proposal of $6,443,000 provides funds to:

- Complete design of pre-proof-of-concept Gravimelt chemical coal cleaning system. ($1,000,000)
- Continue investigation of advanced concepts for chemically modified coals. ($1,300,000)
- Continue joint DOE/EPRI advanced coal cleaning development and test program. ($1,000,000)

- Continue research to optimize techniques for microbial removal of organic sulfur from coal. ($1,000,000)
- Continue ultrafine coal characterization and process economics. ($500,000)
- Continue in-house research on chemical coal cleaning, and fundamental organic sulfur chemistry. ($500,000)
- Continue laboratory scale research on advanced physical cleaning concepts. ($1,143,000)

Flue gas cleanup addresses the removal of pollution causing contaminants from the stack gases of conventional combustion units to meet environmental standards. Efforts will be focused on fundamental research for processes for the combined removal of NO_x, SO_x, and particulates, both for utility and industrial applications.

The FY 1987 funding request of $7,541,000 would:

- Complete proof-of-concept test and evaluation for low temperature dry hydrate and dolomitic lime slurry in-duct injection for acid rain precursor control technology process candidates. ($3,390,000)
- Continue research on advanced NO_x/SO_2 chemistry and bench scale advanced concept development. ($2,341,000)
- Continue fluidized bed copper oxide proof-of-concept test and evaluation. ($1,810,000)

Gas stream cleanup includes the technology for removal of contaminants from gasifier and combustor process streams prior to utilization in advanced power conversion cycles such as gas turbines and fuel cells. Both hardware and environmental protection are key concerns.

The $3,839,000 in funds requested for FY 1987 would:

- Continue alkali combustion chemistry research. Work will be performed by Midwest Research Institute in Kansas. ($350,000)
- Continue process modification R&D for trace contaminants. ($75,000)
- Continue R&D for sulfur removal with selected sorbents. ($788,000)
- Continue process modification R&D for direct-fired turbine. ($1,000,000)
- Complete on-line tests of remaining selected particulate and sulfur removal devices for turbine combined cycle. ($600,000)
- Continue test and evaluation of soot, particulate control, and trace contaminants. ($100,000)
- Continue basic research for physical and chemical cleanup for gasifier PFB and direct coal-fired turbines including instrumentation and control. ($926,000)

Waste management focuses primarily on waste sampling and characterization from coal preparation wastes. The FY 1987 funding request of $324,000 would:

- o Continue sampling and characterization and data acquisition of organic and inorganic compounds present in solid wastes and in their leachates. ($195,000)
- o Complete Phase I R&D for extracting energy from coal preparation wastes. ($129,000)

ADVANCED RESEARCH AND TECHNOLOGY DEVELOPMENT

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1986 Revised 1/	FY 1987	Percent Change from FY 1986
Operating Expenses	$30.8	$35.2	$33.8	$27.2	-19.5%

1/ Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

The Advanced Research and Technology Development Program is directed toward the scientific and technical areas that underlie the development of all fossil energy technologies. Included are fundamental studies to increase understanding of the mechanisms of direct coal combustion, generic studies of materials and components, and investigations of instrumentation concepts in environments associated with advanced coal technologies.

AR&TD differs from the Fossil Energy line programs; the latter have an end-item technology development orientation while AR&TD's mission is to pursue generic research in support of all Fossil Energy coal line programs.

The $27,224,000 requested for AR&TD would be applied as follows:

Direct Utilization ($9,415,000)

- o Continue research on the determination of physical and chemical properties of uncombusted coals and combustion products. ($950,000)
- o Continue support research on coal combustion science and IEA coal combustion science program. ($4,643,000)
- o Continue research on deposition mechanisms and erosion caused by mineral matter in atmospheric, internal combustion, and pressurized environments. ($1,845,000)
- o Continue research on separation mechanisms relevant to the coal fuel cycle, from coal beneficiation to the removal of environmentally deleterious products of combustion. ($1,127,000)
- o Continue generic electrochemistry research and research on fundamental aspects of molten carbonate and solid oxide fuel cells. ($850,000)

Materials ($5,860,000)

- o Perform mechanistic research necessary to allow development and use of new corrosion and erosion resistant alloys, ceramics and refractories for use in coal conversion and utilization systems. ($5,860,000)

Components ($1,593,000)

- o Conduct studies on novel component concepts to mitigate erosion and wear in seals; and on slurry flow control devices. ($650,000)
- o Conduct fundamental research at national labs and PETC on bulk flow modeling, solids-liquid rheology, and dense phase solids-gas flow; eliminate support for university research in solids transport. ($943,000)

Environmental Activities ($2,200,000)

- o Continue analyses of issues associated with air and water quality, solid waste disposal, and toxic substances; continue support of occupational health and safety compliance services. ($1,550,000)
- o Continue research conducted under ITFAP with reduced emphasis on quality assurance of data and analytical tools. ($650,000)

Technical and Economical Analysis ($2,000,000)

- o Continue funding studies which support multi-year planning and FE strategy and program formulation, technical/economic assessment studies that crosscut a number of FE programs, and support of IEA/Coal Research Service. ($2,000,000)

Technology Base Synthesis ($800,000)

- o Continue analyses and studies to integrate and coordinate research and exploratory development activities, to identify advanced research needs, to support international collaborative research activities in FE, and to provide seed funding for new advanced research initiatives. ($800,000)

Instrumentation, Control and Diagnostics ($1,356,000)

- o Perform research on unique methods for measuring multiphase flow parameters such as velocity, solids content, and viscosity; and for identifying chemical species such as plasma spectrographic techniques. ($1,356,000)

University Coal Research ($4,000,000)

- o Initiate approximately 20 new university projects relating to coal science, environmental science, surface science, organic and inorganic chemistry of coal constituents and the mechanisms and kinetics of chemical reactions to gasification, liquefaction and combustion; encourage collaboration between university and industrial researchers. ($4,000,000)

COAL LIQUEFACTION

(Dollars In Millions)

		FY 1986			Percent
ACTIVITY	FY 1985	Approp.	Revised 1/	FY 1987	Change from FY 1986
Operating Expenses	$31.1	$32.9	$31.6	$9.1	-71.2%

1/ Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

The Coal Liquefaction program is developing the scientific and engineering knowledge base which industry can use to bring economically competitive and environmentally acceptable synthetic liquid fuel technology into the marketplace when needed.

The FY 1987 budget request of $ 9,147,000 would be used as follows:

Advanced Research ($2,620,000)

- Conduct exploratory efforts on novel coal liquefaction processes. ($200,000)
- Continue research to improve the understanding of coal liquefaction including properties of coal, reaction mechanisms, utilization of hydrogen, and properties of coal liquids. ($1,120,000)
- Continue research on biological approaches to coal liquefaction. ($100,000)
- Continue research on novel catalytic approaches to coal liquefaction. ($450,000)
- Continue research on the physical, chemical and thermodynamic properties of fossil fuel liquids. ($750,000)

Indirect Liquefaction ($2,539,000)

- Continue catalyst research, study reaction mechanisms and more promising process concepts at PETC and with industry. ($2,539,000)

Direct Liquefaction ($2,996,000)

- Continue in-house research of advanced process concepts at PETC while completing existing bench scale industrial projects. ($2,996,000)

Support Studies/Engineering Evaluations ($992,000)

- Complete one existing industrial instrument research project. ($37,000)
- Continue technology base research and an existing industrial research project ($955,000)

COMBUSTION SYSTEMS

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1986 Revised 1/	FY 1987	Percent Change from FY 1986
Operating Expenses	$30.1	$30.3	$29.1	$9.2	-68.4%

1/ Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

The goal of the Combustion Systems activity is to increase the contribution of the nation's coal resources through the development of market-suitable combustion systems and fossil-derived fuels. The programs within the overall Combustion Systems activity are Atmospheric Fluidized Bed, Pressurized Fluidized Bed, Alternative Fuels and Advanced Combustion Technology.

The FY 1987 funding request of $9,169,000 would be used as follows:

Atmospheric Fluidized Bed Combustion ($1,590,000)

- o Conduct in-house fluidization research in particle motion flow, erosion, bed internals and heat transfer surfaces. ($490,000)
- o Initiate bench scale construction and testing of special AFB applications for the commercial/institutional and residential sectors. ($1,100,000)

Pressurized Fluidized Bed Combustion ($3,686,000)

- o Continue ongoing program at New York University to evaluate PFB components and design changes to enhance performance and provide the basis for advanced concept designs. ($600,000)
- o Continue research on PFB dynamics, systems analysis, and combustion characterization; continue technology and economic analysis assessments. ($586,000)
- o Continue the follow-on test program to obtain POC on hot gas cleanup, coal/water slurry feeding, and performance of updated heat exchanger design. ($1,500,000)
- o Complete Phase I systems definition studies including conceptual design and cost of a commercial plant. Initiate Phase II, development and testing of key critical process components. ($1,000,000)

Advanced Combustion Technology ($1,882,000)

- o Continue development of the most promising of the light industrial, commercial and residential concepts selected including design, fabrication and testing. ($1,400,000)
- o Continue in-house activities supporting advanced combustion technology systems. ($482,000)

Alternative Fuels ($2,011,000)

- o Complete detailed combustion and system characterization and technical, economic, and environmental assessments on selected existing residential boiler/furnance systems firing CLM/micro-coal fuels. ($2,011,000)

FUEL CELLS

(Dollars in Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1986 Revised 1/	FY 1987	Percent Change from FY 1986
Operating Expenses	$40.5	$35.4	$34.1	$5.0	-85.3%

1/ Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

The Fuel Cell program supports high risk, high payoff technology base development to assist private industry in developing hydrocarbon fuel conversion technologies. Fuel cells, which rely on an electrochemical reaction rather than combustion, can potentially increase the cost effectiveness, efficiency, and environmental acceptability of conventional and alternative hydrocarbon fuels.

No funds are requested in FY 1987 for phosphoric acid fuel cell systems. The objective for this program will have been achieved by the end of FY 1986 and full responsibility for further development and application of phosphoric acid fuel cell technologies should be left to the private sector.

The technical feasibility of molten carbonate fuel cells operating at approximately 60 percent electrical conversion efficiency (natural gas to busbar) has been forecasted by single cell testing. The complexity and associated capital costs of advanced fuel cell systems are projected to be less than those for first generation phosphoric acid fuel cell systems. The $3,400,000 requested for the molten carbonate fuel cell will be used to:

- Continue development of external and/or internal reforming molten carbonate stacks. ($2,600,000)
- Continue technology base research on cell components and corrosion resistant materials. ($800,000)

The solid oxide fuel cell is an advanced, high temperature solid state fuel cell that offers promise in electric utility and in cogeneration applications in industrial and commercial sectors. Solid oxide electrolyte fuel cells have the advantage of solid state stability and have been projected to be more easily manufactured than other fuel cell concepts. The $1,600,000 requested for the Advanced Concepts fuel cell activity would:

- Complete testing of a 5 kW solid oxide fuel cell module and continue development of a 25 to 200 kW generator. ($1,600,000)

HEAT ENGINES

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1986 Revised[1]	FY 1987	Percent Change from FY 1986
Operating Expense	$11.8	$12.8	$12.3	$7.9	-35.8%

[1] Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

The goal of this program is to establish technical data which will enable the private sector to assess the commercial viability of coal-fueled power conversion systems. The program focuses on key technical problems associated with substituting coal or coal-derived gaseous fuels for distillate fuels or natural gas in gas turbine and diesel power conversion systems. The goal is to assist the private sector, through selected research efforts, in developing the technology needed for direct firing of coal, either dry or suspended in a liquid carrier, or a coal-derived gaseous fuel cleaned at minimal cost.

The $7,942,000 in requested funds for FY 1987 will be used as follows:

Gas Turbines ($6,394,000)

- o Complete first portion of the integrated systems test program. ($5,994,000)
- o Continue evaluation of coal-liquid mixtures in the gas turbine combustor test stand. ($400,000)

Diesels ($1,548,000)

- o Continue evaluation of coal-liquid mixtures in the diesel engine test facility. Initiate research activities related to the FY 1986 Program Research and Development Announcement for the coal-fired diesel engine integrated systems test validation. Complete technical and economic analyses and related experimental tests of the coal-fired diesel engine project. ($1,548,000)

UNDERGROUND COAL GASIFICATION

(Dollars In Millions)

		FY 1986			Percent
ACTIVITY	FY 1985	Approp.	Revised[1/]	FY 1987	Change from FY 1986
Operating Expenses	$ 5.7	$ 4.2	$ 4.1	$ ...	-100.0%

[1/] Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

Underground Coal Gasification (UCG) is a process for converting coal, in place (in situ), to a readily cleanable synthetic gas comparable to that produced from surface gasification systems. The energy for the process is derived from partial combustion of the coal (pyrolysis) resulting in the identical reactions that occur in aboveground gasification. The technical feasibility of underground gasification techniques applied to several types of coal resources has been proven. In FY 1986 and FY 1987 ongoing technology base activities will be phased out. In FY 1987 industrial-proposed applied research efforts will be candidates for the cooperative R&D venture pool.

Gasification Technology Development ($0)

- o Complete technology base development using prior year funds.

Environmental and Advanced Research ($0)

- o No activity.

MAGNETOHYDRODYNAMICS

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1986 Revised 1/	FY 1987	Percent Change from FY 1986
Operating Expenses	$30.7	$28.9	$27.7	$ ...	-100.0%

1/ Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

The current MHD program continues the implementation of the June 1984 cost-shared multiyear program which provides for basic supporting research and the development of systems/subsystems which will provide proof-of-concepts needed for the advancement of the MHD technology to the retrofit stage.

No funds are requested for MHD research in FY 1987. The Department believes that the cost of continuing its MHD program is not affordable in light of current fiscal constraints. Other technologies can contribute more directly to the nation's energy security with lower investment requirements, in a more timely manner and with significantly more cost-sharing.

SURFACE COAL GASIFICATION

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1986 Revised 1/	FY 1987	Percent Change from FY 1986
Operating Expenses	$35.1	$43.0	$41.3	$5.6	-86.4%

Specific programmatic goals of the Surface Coal Gasification Program are to: (1) advance the state-of-the-art of Surface Coal Gasification technology to optimize its potential for development of more viable or advanced gasification systems through the study of promising long term, high risk concepts, (2) identify and support those R&D efforts that will make available the full capabilities and processing flexibility of surface coal gasification systems as the key coal conversion technology directly applicable for generating alternative energy options from coal for every sector of the energy consuming marketplace, and (3) continue management and monitoring of the Great Plains Gasification project as necessary.

The $5,598,000 requested for FY 1987 would be applied to the following research efforts:

Advanced Research ($968,000)

- o Continue research on the fundamental chemistry and reaction mechanisms associated with mild gasification and investigate the parameters that control product yield distribution. ($593,000)
- o Continue research on the chemistry of ash and slag from coal gasifiers ($375,000).

Advanced Process Development ($1,689,000)

- o Complete studies on advanced staged, concurrent rapid rate reactors to enhance data base on rapid rate pyrolysis. Continue characterization of char during devolatilization. ($309,000)
- o Continue studies using coal based sorbents and zeolites in pressure swing adsorption for separation of gases. Continue development of low cost, highly selective permeable membranes for hydrogen separation. ($235,000)
- o Continue operation of the advanced gasification concepts facility to generate data essential to advancing entrained gasification and hot gas cleanup technology. ($192,000)
- o Continue theoretical studies on coal gasifiers and gasification systems needed for design of optimized systems. ($703,000)
- o Redirect and continue essential studies leading to economic production, upgrading and use of new fuel forms. ($250,000)

Systems Engineering Concepts ($1,373,000)

- o Continue to investigate parameters controlling the use of minimally cleaned gasifier coal products as fuels for advanced heat engines. ($50,000)
- o Continue effort to develop more economical methods for production of oxygen in large quantities--advance the solid state zirconia system to the "process development unit" stage of study. ($350,000)
- o Utilize results of studies on composite sorbents, mixed metal oxides, catalysts, etc. to establish reaction mechanisms by which gasifier performance can be controlled through use of in-bed/coal-feed additives. ($200,000)
- o Continue key studies on integration of gasifiers/gasification technologies with other conversion systems to determine the most optimum configurations and on identification of problems requiring R&D effort to resolve. ($173,000)
- o Continue to provide engineering analyses and systems evaluation capability for joint DOE/GRI Coal Gasification Program through monitoring processes, review of technical data and economic assessments. ($600,000)
- o Continue the "process development unit" effort exploring issues limiting the integration and development of gasifier/advanced hot gas cleanup systems/turbines for the production of power. ($0) (Prior year funding)

Environmental and Engineering Analysis ($1,131,000)

- o Continue the development of process modifications that will reduce the generation of trace hazardous compounds. ($375,000)
- o Complete the study of novel approaches to use microorganisms for removing trace amounts of organic contaminants in waste water. (Prior year funding) ($0)

- Continue development of analytical models such that computer based systems analysis can be used to identify advanced gasifier systems--expand efforts to prepare environmental information for entry into the model. ($200,000)

- Investigate new and novel methods for sampling and analyzing organics, sulfur species, nitrogen, trace elements, etc., and study ways to reduce toxicity of oils and tars. ($186,000)

- Initiate comprehensive environmental sampling and analysis of systems employing hot gas cleanup systems. ($200,000)

- Initiate the environmental assessment of those processes found suitable for production of new fuel forms. Make recommendations on areas of study needed to minimize the impact of those mild gasification processes that produce liquids derived from coal. ($170,000)

Great Plains ($437,000)

- Continue management/monitoring of the Great Plains project as necessary. ($437,000)

- PETROLEUM -

ADVANCED PROCESS TECHNOLOGY

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1986 Revised 1/	FY 1987	Percent Change from FY 1986
Operating Expenses	$5.4	$5.7	$5.5	$1.8	-67.3%

1/ Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

There are two goals within the APT Program. These are: (1) to pursue the fundamental research relevant to oil, gas, and shale recovery, i.e., development of the tools and techniques to measure and predict important properties and phenomena, and to obtain the fundamental data critical to these recovery processes; and (2) to provide the proper environment to conduct research and to pursue application of new frontiers of science and/or as yet unexplored new concepts to achieve quantum increases in recovery efficiency for oil, gas, and shale resources.

The $1,811,000 requested for this activity would be used as follows:

Advanced Exploratory Research ($1,576,000)

- Continue fundamental petroleum, geoscience and chemistry research focusing on physical and chemical characterization studies of heavy oil; thermodynamic measurements; shale oil and tar sands bitumen studies and fuel storage and handling. Work will be performed by the National Institute for Petroleum and Energy Research. ($1,500,000)

- Continue extraction related aquifer contamination studies. ($76,000)

Arctic and Offshore Research ($235,000)

- Continue the Arctic/offshore oil and gas research data base. ($235,000)

ENHANCED OIL RECOVERY

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1986 Revised[1/]	FY 1987	Percent Change from FY 1986
Operating Expense	$11.7	$11.9	$11.5	$4.5	-60.9%

1/ Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

The goal of the Enhanced Oil Recovery (EOR) program is to conduct generic technology base R&D activities; develop fundamental knowledge that can lead to improved and new process concepts; and to assist industry in obtaining a better understanding of the mechanisms and behavior of advanced and novel EOR processes for the recovery of presently unrecoverable light oil, heavy oil and tar sand resources. In addition to specific funding listed below, technology programs in this area will be eligible for support through the industry cooperative R&D venture pool.

Funding requested in FY 1987 totals $4,484,000, applied as follows:

Heavy Oil ($608,000)

- Continue studies of steam additive mechanics and variables affecting mobility control and sweep efficiency. ($608,000)
- Complete remaining joint research with Venezuela and Mexico using previous EOR technical base funds. ($0)
- Complete, utilizing prior year funding, final report on variables in alkaline flooding in EOR. ($0)

Light Oil ($3,876,000)

- Investigate high temperature, stable polymer systems and continue fundamental surfactant studies. ($1,150,000)
- Complete post-field test analyses of EOR field tests and continue reduced studies of geologic heterogeneities and other characteristics on EOR process shortcomings. ($1,100,000)
- Continue environmental study of microbial EOR processes. ($100,000)
- Conduct basic multi-phase flow wettability studies to understand EOR process mechanisms. ($700,000)
- Continue studies of CO2 and other gas flooding concepts with emphasis on mobility control. ($826,000)

Tar Sands ($0)

- No funds requested.

OIL SHALE

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1986 Revised[1]	FY 1987	Percent Change from FY 1986
Operating Expenses	$14.6	$12.6	$12.1	$3.6	-70.2%

[1] Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

The goal of the Oil Shale R&D program is to provide a sound technologic basis for reduction of economic and environmental constraints to industrial development of the U.S. oil shale resources and to increase the amount of resource that may be used economically. The program is focusing on basic research using reference shales to systematically study the chemistry, kinetics, and emissions related to eastern and western shale processing. In addition to the specific funding listed below, technology programs in this area will be eligible for support through the industry cooperative R&D venture pool.

The $3,595,000 requested for FY 1987 would be used to support the following research:

Oil Shale Technology Base ($3,078,000)

- Complete specific eastern shale research resulting from FY 1985 unsolicited proposals in the areas of hydroretorting and in situ processing. ($1,450,000)
- Continue developing a systems analysis capability to enable assessment from mining to spent shale disposal. ($277,000)
- Continue experiments with reference shales in various generic solids recycle retort systems to provide data for modifying and developing chemical, physical, and economic models. Maintain reference shale bank activities including characterization and distribution of shales to program participants. ($1,201,000)
- Continue development and maintenance of an oil shale data base. ($150,000)

Environmental Mitigation ($517,000)

- Continue development of the environmental data base. ($50,000)
- Identify and quantify major and trace element emissions in gases, liquids and solids from reference shales as a function of process parameters such as time, temperature, shale particle size and composition, and retort gas composition. Continue analytical methods development as necessary. Support environmental research and health and safety research under international agreement with Israel and interagency agreement with Bureau of Mines. ($467,000)

- GAS -

UNCONVENTIONAL GAS RECOVERY

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1986 Revised 1/	FY 1987	Percent Change from FY 1986
Operating Expenses	$10.1	$8.8	$8.5	$5.3	-37.6%

1/ Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

The specific objectives of the Unconventional Gas Recovery program are to: (1) reduce the uncertainty surrounding the potential magnitude of reserves of the unconventional gas resources and the conditions under which they will be produced; (2) develop and improve extraction technologies to the point of technical readiness for private sector development; and (3) transfer all technical and economic data to industry.

In addition to the specific funding listed below, technology programs in this area will be eligible for support through the industry cooperative R&D venture pool.

Eastern Gas Shales ($355,000)

- o Continue development of the Eastern Gas Shale production technology base; also special geoscience investigations, system analyses, and technology transfer. ($355,000)

Western Tight Sands ($3,582,000)

- o Conduct fracture stimulation research and production testing of remote lens at Multiwell Test facility. ($3,200,000)
- o Continue supporting research modeling, systems analysis, and data base development. ($382,000)

Environmental and Advanced Research ($1,315,000)

- o Continue resource identification and evaluation of gas hydrates and deep source gas. ($273,000)
- o Continue lab analysis of hydrate core and modeling research. ($192,000)
- o Conduct geochemical and geophysical diagnostic tests for gas hydrates on the North Slope of Alaska. ($650,000)
- o Continue evaluation and development gas hydrate extraction/production techniques and data analysis of environmental assessments. ($200,000)

PROGRAM DIRECTION AND MANAGEMENT SUPPORT

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986		FY 1987	Percent Change from FY 1986
		Approp.	Revised[1/]		
Operating Expense	$46.2	$55.3	$53.2	$40.2	-24.4%

[1/] Includes reductions in accordance with P.L. 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)

This activity provides funding for salaries, benefits and overhead expenses for the management of FE program at Headquarters, and the Energy Technology Centers:

The Headquarters staff is responsible for overall program direction which implements DOE policy and communicates that policy to the Energy Technology Centers, sets program objectives, develops program plans and evaluates alternative program strategies, develops and defends budget requests to the Office of Management and Budget and to the Congress, approves procurement plans, monitors work progress, evaluates projects, and approves revisions in work plans as required to attain program goals.

The Energy Technology Centers support day-to-day project management functions for assigned programmatic areas including contract and National Laboratory monitoring, development and maintenance of project budget, and procurement plans, and other activities related to program and site support.

The Office of the Federal Inspector for the Alaska Natural Gas Transportation System is responsible for coordinating all Federal activities pertaining to the pipeline in order to assure timely, efficient, safe, and environmentally sound construction including the assessment of developments in the world energy market, specifically the U.S. and Canadian oil and gas situation as they affect the Alaska Natural Gas Transportation System.

The $40,221,000 requested for FY 1987 would support the following activities:

Headquarters Program Direction ($11,260,000)

- o Provide funds for salaries, benefits, and travel for Headquarters staff and overhead expenses generic to the entire FE program, including SBIR assessments. ($11,260,000)

ETC Program Direction ($28,740,000)

- o Provide funds for ETC indirect costs and for site support. ($28,740,000)

Federal Inspector for the Alaska Natural Gas Transportation System ($221,000)

- o Continue technical reviews of ANGTS design and/or remobilization packages. ($36,000)

- Complete long-term Frost Heave research using prior year funding. ($11,000)
- Continue development and refinement of Remobilization Encyclopedia. ($10,000)
- Continue to assess developments in U.S. and Canadian energy markets, and gas exploration and transportation projects in reference to ANGTS. ($33,000)
- Continue to maintain liaison with project sponsors, producers, other Government agencies, State of Alaska and Canadian Government. ($26,000)
- Salaries and related expenses for administrative and support functions. ($105,000)

COOPERATIVE R&D VENTURES POOL

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1986 Revised	FY 1987	Percent Change from FY 1986
Operating Expense	$ ...	$ ...	$ ...	$12.5	+100.0%

The goals of the industry cooperative R&D venture pool are to increase the market relevance and penetration of federally funded applied R&D, to increase private sector leverage of federal funds, and to ensure that taxpayer-supported work in industry will benefit the industry and economy at large and not just a single company.

The vehicle for achieving this will be industry formed cooperative R&D ventures. The core of such ventures would be several private firms with at least two from the same industry (that is the distinction between a "cooperative venture" and a "joint venture"). The structure should, however, allow other parties such as investors, universities, institutes, and public laboratories to participate in the partnership as well.

The principal objectives of the program are to:

- Implement a process by which industry will join with Government in applied research and development activities that will result in products, processes, and technology that will contribute to achieving the energy and technology goals of the United States.
- Reduce and/or eliminate traditional barriers that have limited the financial and technical cooperation between the private and public sectors (e.g., patent positions, proprietary rights, anti-trust concerns, etc.).
- Identify a variety of incentives particularly suited to the needs of various venture partners.

In its FY 1987 budget proposal, the Department opted to limit the initial phase-in of the cooperative venture program to extraction technologies. In prior years, the Office of Fossil Energy has significantly increased the knowledge base for oil, gas and shale technologies. The nature of the economics of many of these technologies, coupled with the solid background of relevant industrial firms in participating in joint venture projects, makes extraction technologies prime candidates for an initial effort to examine the feasibility of the cooperative R&D venture pool approach.

The spectrum of efforts anticipated in these areas range from laboratory/bench scale activities through field tests -- precursors to actual commercial deployment and cash flow. The scale will vary from technology to technology and from resource to resource.

For example, many unconventional gas resources have not been defined well enough to develop predictable recovery strategies. Industry and other parties could form a cooperative venture with DOE to develop sufficient data requisite for the next step: design and test of promising recovery concepts. Similarly, in the area of underground coal gasification, primary interest could be focused on modest-scale, pre-commercial field tests to produce the data necessary for the subsequent design and construction of commercial plants. Additionally, interest may be expressed in the use of the technology in otherwise unattractive coals not currently being produced.

Therefore, in FY 1987, $12,500,000 will be made available to:

- Encourage the formation by industry of cooperative R&D ventures (which may also include other parties such as investors, universities, institutes and public laboratories) to offer partnership opportunities to DOE in the following areas: recovery of gas from unconventional sources; enhanced oil recovery; oil shale; and underground coal gasification. ($12,500,000)

CLEAN COAL TECHNOLOGY PROGRAM

(Dollars In Millions)

ACTIVITY	FY 1985	FY 1986 Approp.	FY 1987	Percent Change from FY 1986
Operating Expense	$ ...	$99.4	$149.1	+50.0%

The principal goal of this program is, as stated in Public Law 99-190, "for the purposes of conducting cost-shared clean coal technology projects for the construction and operation of facilities to demonstrate the feasibility of future commercial operation." It is targeted at a wide variety of market applications.

Public Law 99-190 made available a total of $397.6 million for the Clean Coal Technology demonstration program (after the 0.6% general reduction applied across-the-board to programs contained in Public Law 99-190). Of these monies, $25 million will be held in reserve to cover the cost of overruns in the event the Government agrees to share such costs. Also, funds will be set aside for contracting, travel, and ancillary costs incurred by the Department of Energy in implementing the program. All of the remaining funds will be available for award. Under the terms of Public Law 99-190, the funds will become available in three increments as follows: $99.4 million in FY 1986, $149.1 million in FY87, and $149.1 million in FY88.

The Clean Coal Technology Program is related to, but not a direct continuation of, the effort undertaken by DOE following passage of Section 321, Public Law 98-473, 98 Stat. 1874. This section directed the Secretary of Energy to solicit "statements of interest in, and proposals for projects employing emerging clean coal technologies," and submit a report to Congress. In carrying out this Congressional request, DOE received 175 submissions with project values totaling more than $8 billion. On May 1, 1985, DOE submitted its findings in the Report to Congress on Emerging Clean Coal Technologies (NTIS Document Number: DE850154290). The Department also submitted a Supplemental Report to Congress on Emerging Clean Coal Technologies (NTIS Document Number: DE85018356) which further characterized a wide range of clean coal technologies.

Funds for the Clean Coal Technology program subsequently made available by Congress will provide for a competitive solicitation of project proposals and the award of cost-shared federal assistance to those projects that best demonstrate the feasibility of new clean coal technologies for future commercial applications. The issuance of the solicitation, receipt of proposals, and selection of projects will be made in accordance with the timetable established in Public Law 99-190. Specifically, the $149.1 million previously made available for FY 1987 will be used to:

- Support, on a cost shared basis with the private sector, demonstrations of advanced technologies to gather data needed for their ultimate commercialization. ($147,112,000)
- Provide for contractual services and in-house support in performing post award monitoring and technical data base activities. ($1,988,000)

The following page contains a table summarizing the FY 1985-FY 1987 funding for DOE's Fossil Energy research and development program. (The chart does not reflect funding made available for the Clean Coal Technology program since it represents previous appropriations.)

DEPARTMENT OF ENERGY
FISCAL YEAR 1987 CONGRESSIONAL BUDGET REQUEST
SUMMARY OF ESTIMATES BY APPROPRIATION BY MAJOR ACTIVITY
FOSSIL ENERGY RESEARCH AND DEVELOPMENT

(Budget Authority in Thousands of Dollars)

	FY 1985 Actual	FY 1986 Estimate	FY 1986 Request
COAL:			
Coal Technology and Coal Preparation	$ 34,671	$ 31,950	$ 18,147
Advanced Research and Technology Development	30,804	33,849	27,224
Coal Liquefaction	31,110	31,620	9,147
Combustion Systems	30,092	29,113	9,169
Fuel Cells	40,472	34,057	5,000
Heat Engines and Heat Recovery	11,850	12,314	7,942
Underground Coal Gasification	5,705	4,072	---
Magnetohydrodynamics	30,721	27,717	---
Surface Coal Gasification	35,134	41,323	5,598
Subtotal, Coal	$250,559	$246,015	$ 82,227
PETROLEUM:			
Advanced Process Technology	$ 5,364	$ 5,523	$ 1,811
Enhanced Oil Recovery	11,702	11,454	4,484
Oil Shale	14,628	12,136	3,595
Subtotal, Petroleum	$ 31,694	$ 29,113	$ 9,890
GAS:			
Unconventional Gas Recovery	$ 10,142	$ 8,503	$ 5,252
Subtotal, Gas	$ 10,142	$ 8,503	$ 5,252
PROGRAM DIRECTION AND MANAGEMENT SUPPORT:			
Headquarters Program Direction	$ 8,273	$ 13,380	$ 11,260
ETC Program Direction	37,907	39,265	28,740
Federal Inspector for the Alaska Gas Pipeline	1,401	511	221
Subtotal, Program Direction and Management Support	$ 47,581	$ 53,156	$ 40,221
PLANT AND CAPITAL EQUIPMENT:			
Capital Equipment	$ 4,545	$ 2,865	$ ---
Construction	4,916	3,332	---
Subtotal, Plant and Capital Equipment	$ 9,461	$ 6,197	$ ---
COOPERATIVE VENTURE R&D POOLS:	$ ---	$ ---	$ 12,500
Subtotal, Fossil Energy	$349,437	$342,984	$150,090
Use of Prior Year Balances and Other Adjustments	-60,389	-31,030	-67,323
Total, Fossil Energy R&D	$289,048	$311,954	$ 82,767

INTRODUCTION OF ASSOCIATE

Mr. BAUER. Thank you, Mr. Chairman, and good afternoon.

With me, on my left, is Mr. Jeremiah Walsh, Deputy Assistant Secretary for Management, Planning and Technical Coordination.

Senator MCCLURE. Thank you very much.

Before I proceed, I would like to defer to Senator Andrews who has a series of questions that he would like to propound, and I do so because the Budget Committee is currently acting on a proposed waiver for the tax bill.

Senator ANDREWS. I appreciate that, Mr. Chairman. I appreciate the opportunity of going through a brief series of questions.

Don, it's good to do business with you. We have appreciated the cooperation that we have gotten from you over the last year or two.

I have some questions on Great Plains. Before I get to Great Plains I would like to ask two or three questions about Brookhaven Laboratories.

GLO-KLEN PROCESS AT BROOKHAVEN LABORATORIES

I understand that $150,000 was appropriated to conduct a test of Glo-Klen at Brookhaven Laboratories. The test was completed in mid- or late-April 1986. Have you seen the written report from Brookhaven concerning the Glo-Klen test?

Mr. BAUER. No; I haven't, Senator. That test was over at the end of April. There is a review and evaluation of the results underway and a determination will be made as to one of three possible approaches: no further testing; continued laboratory testing; or possible scale-up testing, if everything is perfect, for a boiler test.

Senator ANDREWS. Do you know if Brookhaven has had the opportunity to fully discuss the test results with the JEFCO Laboratories?

Mr. BAUER. No; I do not know that.

Senator ANDREWS. Wouldn't it be a good idea to review the Brookhaven report with Brookhaven Laboratories and with JEFCO Laboratories before making a decision to either continue or stop further testing?

Mr. BAUER. I think it would be very prudent. Not only are Brookhaven, JEFCO, and Pittsburgh Energy Technology Center [PETC] involved, but all three of them need to sit down and talk about the results. If that isn't happening, I can assure you that it will.

GREAT PLAINS GASIFICATION PLANT

Senator ANDREWS. Mr. Secretary, let me get to something that has been very close to the chairman's and my heart, and that is our synthetic fuels plant. Let me commend you on the understanding that you have shown in a very difficult situation.

Mr. BAUER. Thank you.

Senator ANDREWS. Because of its importance not just to North Dakota but also to the Nation as the first, shall we say, full-scale laboratory test of a unique coal technology, is the operation of the Great Plains gasification plant continuing on a positive cash flow basis?

Mr. BAUER. Yes; it is. The plant has been in a positive cash flow mode as of the end of April. The figure is $67 million. Since the Government took over that project not 1 cent or $1 of taxpayer money has been put into it.

Senator ANDREWS. How much cash reserve do you have on hand now?

Mr. BAUER. About $67 million.

Senator ANDREWS. At what percentage of production capacity are you running?

Mr. BAUER. That varies, and it's a function of whether you are down for maintenance or if you are going with no problems. For example, we established what I would call a record in the month of January when we exceeded 100 percent of design capacity, which is 137 million standard cubic feet per day. For the month of January we put out 4 billion standard cubic feet. I think the month of April was like 98 percent of capacity. We are running around 98 to 101 percent of design capacity today.

Senator ANDREWS. In other words, that plant came in ahead of schedule, under estimated cost, and it's now producing at over 100 percent of rated capacity?

Mr. BAUER. That is a true statement.

Senator ANDREWS. That's quite an achievement. Everything is fine except for the fact that the price of oil went down in the intervening period, and that helped the American economy, so you can't fault that. But this was no boondoggle as far as doing what it was said to do in the first place.

Mr. BAUER. We did some other things too, Senator. What we did was to reduce the cost per million Btu to produce that gas. We took a look at the capital projects that were necessary to address the odor, the sulfur emissions, worker health and safety, and to improve the efficiency of that plant. We also took a look at the size of the work force and the methods under which they were operating a plant. So we have pursued what I would call both prudent management and application of sound management principles.

Senator ANDREWS. By what percentage have you reduced that plant's cost of production since you took over?

Mr. BAUER. I think on the first of August it was running like $5.17 per million Btu. That seems like a long time ago. For the month of April, it cost $3.4878 per million Btu's, and on the basis of that we were at a $702,000 positive cash flow. So we reduced it from something like $5.17 down to around $3.46 per million Btu.

Senator ANDREWS. So you have gotten a 30-percent reduction in the cost of producing this gas while you have been managing it.

Mr. BAUER. Yes, sir.

Senator ANDREWS. That's not a bad track record for a group, Mr. Chairman. That's why we are kind of proud of what you have done.

GREAT PLAINS ENVIRONMENTAL REQUIREMENT

What have you done to meet the environmental concerns at Great Plains?

Mr. BAUER. There were a significant number of capital projects, as we all know, that were proposed for that project. I am not going to go into that other than to say that 7 days after we took over we asked for a prioritization of those into those that were mandatory, required, and desired. As a result of that process, I am pleased to report that we have authorized full expenditure from the revenues generated from the plant of $7.1 million in capital projects. Two million of those dollars were for odor abatement; $2.1 million was for sulfur emissions reduction; and the balance was for improving the plant efficiency, for a total of $7.1 million.

Senator ANDREWS. What are your future plans to meet the environmental requirements for the State?

Mr. BAUER. We are in compliance with all of the Federal, State, and local regulations. As you know, we are operating under an odor abatement consent agreement whereby we agree to be lower than the State requirement. We are continuing to address the problems that face us with the Stretford unit. We are bound to make that thing work or find a solution, if you will, to offload the problems that the Stretford is causing.

We think we have come up with several innovative scientific approaches, such as the high caustic wash method. We are continuing to do tests, running into what I would call engineering problems. As they come up, we are addressing them, and I would say that the future looks very bright.

STATEMENTS OF INTEREST IN SALE OF GREAT PLAINS

Senator ANDREWS. I understand that you have received nine proposals in response to your initial request for statements of interest in the plant. What have you done about them?

Mr. BAUER. Senator, those were statements of interest and informational proposals. Those nine ranged from we will operate the plant for you—of course we have an operator now—to we are very much interested in purchasing the plant.

The documentation was submitted to the Department. It was stated in the Federal Register notice that that data would be used to assist the Department and the Secretary in his decisionmaking process on what to do with that plant in the future.

Senator ANDREWS. What contact have you made with those making proposals? Have you contacted all nine?

Mr. BAUER. No contact has been made with them.

Senator ANDREWS. Have you notified those in whom you have no interest?

Mr. BAUER. No.

Senator ANDREWS. Have you asked for additional information from any of the proposers?

Mr. BAUER. No; we have not.

Senator ANDREWS. I see where you are now soliciting proposals for an investment banking type of service to help value and market the Great Plains facility. What kind of help have you gotten there? What are your intentions in that sort of move?

Mr. BAUER. There was an invitation for bid released for an investment banker to assist us in the divestiture of that asset in the event we proceed down that path. Proposals are due in on June 6, and I would say contract award will be made something like 30 or 45 days after that.

I believe Congress last year or 2 years ago used the same technique with the Department of Transportation on the divestiture of Conrail. I took a look at that approach and had some conversations with people that have used that approach.

In the data that we got back from the statements of interest and informational proposals, there were varying approaches to taking over and owning a plant and operating it under different scenarios. When one is faced with that kind of data I don't think the Government is well qualified to sit down and put together a business deal that is in the best interest of you and I.

I think we have three interests in mind. One is to recapture as much as possible of the debt that we have lost. No. 2, to see that plant stay there and continue to operate for a long period of time and, No. 3, to generate the data that is needed for a future industry.

So there are various people out there that have differing interests and somebody needs to put together a partnership for us. An investment banker is an ideal approach to that.

Senator ANDREWS. You have gotten to be pretty much an old friend to that plant. You know it up and down. You've looked at the financial statements; you've gotten its cost of production down by 30 percent. Mr. Secretary, as you sit before this subcommittee on the first part of June in 1986, do you anticipate that plant will still be running and producing gas the first week in June 1987?

SALE OF GREAT PLAINS

Mr. BAUER. We are going to be on the courthouse steps on June 30 to advertise the plant for public sale. I don't know what is going to happen at that time.

Senator ANDREWS. Let me put it this way. The reason I asked that first question is I assume you are not going to stand on the steps of the courthouse and sell that plant when you are the Department that offered $700 million in additional subsidy about 1 year ago in order to get, I think, Mr. Chairman, 6 or 7 years of operating experience. You now say it is operating at no cost to the Government. You are making a profit; we are getting that experience, and you have shown that you can lower the cost of production of synfuels by 30-some-odd percent in just the last few months. Does it make sense to think that you would sell it to somebody who would shut it down?

Mr. BAUER. I would hope not.

Senator ANDREWS. That is certainly part of your thinking, that the person you do sell it to will not shut it down.

Mr. BAUER. I would hope not.

The Government, you said, offered $700 million in price support?

Senator ANDREWS. Mr. Chairman, you can correct me on this. There was a $700 million subsidy in price support that was floated out there and the quid pro quo basis for that amount of money was that that plant would be operated for 7 or 8 years into the future. When the current operator said, no, we won't guarantee that it will run that long but will only run it for 1 or 2 years, you withdrew the subsidy.

Am I stating it correctly? And things went to smash and you took over the plant?

Mr. BAUER. That's right.

Senator ANDREWS. So, in essence, you have gotten 1 year's additional experience and made a profit for the Government over junking the plant. You can, according to your own figures, based on today's price for oil, which is at a pretty low level, still run it at no cost to the Government and gain that experience.

Is it my understanding, then, that it is the intention of the Department to get as much experience as you can out of continued operation of that plant, given the Government's investment in it?

Mr. BAUER. I think it is the Government's intention to not be in a position of running that plant. We really shouldn't be in there. The U.S. Government shouldn't be in there operating that plant.

Senator ANDREWS. No; but it is to the Government's best interest and the taxpayers' best interest to gain that experience. So it is to the best interest of you in your negotiating to make sure that whoever takes that over is going to continue to operate it if that is at all possible. Is that not true?

Mr. BAUER. That is true.

BANKRUPTCY SALE OF GREAT PLAINS

Senator ANDREWS. The bankruptcy sale is scheduled for June 30. Do you expect any action that would preclude the need for that sale?

Mr. BAUER. Not right today, Senator.

Senator ANDREWS. Do you expect any further delays?

Mr. BAUER. I do not expect any further delays in the process.

Senator ANDREWS. If that bankruptcy sale goes through on June 30 and there are no bidders that you and the Secretary and ultimately other parts of Government determine are valid, would you then in effect buy it and continue to run it while you continue to shop for a better operator?

Mr. BAUER. One of the options that is available would be to go for a competitive sale via a competitive procurement.

Senator ANDREWS. That's one of the options, of course.

Mr. BAUER. Sure.

Senator **Andrews**. Thank you very much, Mr. Chairman. I appreciate, Mr. Chairman, as do the people of North Dakota and I think the people across this country, the solid support you have given this opportunity, shall we say, to explore the production of synfuels. We haven't gained energy independence yet. There are a lot of people in this country that are relaxing, but when you look at how much we have imported in the last year, 55 billion dollars' worth of petroleum, I don't think this is the time to relax.

I want to commend Don Bauer and the Secretary and all of the rest for the commendable job they have done in running this facility and gaining valuable experience and making the best out of a tough situation. You have done a fantastic job in these past several months. We appreciate what you have done.

Mr. **Bauer**. Thank you, Senator.

Senator **McClure**. Thank you, Senator Andrews. There hasn't been anyone more constantly concerned with nor involved in the operation of that plant than you have, and your role should be noted as well.

FISCAL YEAR 1987 FOSSIL ENERGY RESEARCH AND DEVELOPMENT BUDGET

Mr. Secretary, I want to return to the overall budget question. You requested $272 million from OMB and were cut back to $150 million.

Mr. **Bauer**. That is correct.

Senator **McClure**. Would you please provide for the record an integrated priority listing with funding levels of activities that were in your OMB request and not in your congressional request?

Mr. **Bauer**. Be glad to.

[The information follows:]

Comparison Between Fiscal Year 1987 OMB and Congressional Budgets

Attached is a listing of activities with funding levels that were in the OMB request and not in the congressional request.

Key Activity	Priority	FY 87 OMB Request	FY 87 Cons. Budget	Reduction	Comparison Between FY 1987 OMB & Congressional Budgets "Key Activity Summaries"
CONTROL TECH. & COAL PREP.					
Flue Gas Cleanup	6	13350	7541	-5809	1 Reduced funding for res. on adv. NOx/SO2 chemistry & bench scale adv. concept dev.(-1130) 2 Reduced funding for FB copper oxide POC test & eval.; eliminated RFP for scaleup to POC level.(-940) 3 Eliminated PRDA for lab/bench scale adv. NOx control tech. dev.(-1000) 4 Eliminated PRDA on advanced separation technology.(-1429) 5 Eliminated development of improved sorbents for boiler injection application & RFP for long-term field testing.(-1800) 6 Eliminated PRDA for bench scale eval. of fine particulate control tech.(-500) 7 Eliminated PRDA for enhancing mass transfer in duct injection applications.(-400) • Increased funding for POC test & evaluation for acid rain precursor control tech. process candidates.(+1390)
Coal Preparation	2	12250	6443	-5807	1 Reduced funding for ongoing research activities.(-3307) 2 Eliminated RFP to scaleup to POC scale the best bench scale adv. physical coal cleaning concept.(-1050) 3 Eliminated PRDA for new approaches to adv. physical coal cleaning at bench scale.(-700) 4 Eliminated RFP on transportation & storage aspects of ultraclean fine coal & coal-derived fuel products.(-500) 5 Eliminated res. on tech. for the economic comminution of coal.(-500) 6 Eliminated PRDA for new approaches to chemical desulfurization of coal.(-550) 7 Eliminated PRDA for instrumentation needs for adv. coal cleaning systems.(-500) • Added funding for adv. concepts for chemically modified coals.(+1300)
Gas Stream Cleanup	7	11048	3839	-7209	1 Eliminated testing of gasifier H2S sulfur control device at POC scale.(-700) 2 Reduced funding for ongoing research activities.(-2155) 3 Eliminated sub-pilot scale testing for gasifier alkali & particulate control devices.(-1075) 4 Eliminated design & installation of equip. for on-line regeneration of the zinc ferrite desulfurization system in a FB gasifier PDU.(-1400) 5 Eliminated sub-pilot scale tests of adv. particulate control concepts for PFBC.(-1000) 6 Eliminated POC scale verification testing of PFBC hot gas cleanup system for alkali control, and selection & initiation of testing of a particulate control device integrated with the PFB system.(-1123) 7 Eliminated test of integrated gasifier contaminant control for use with a MCFC.(-1225) • Increased funding for ongoing research activities.(+1469)

Key Activity	Priority	FY 87 OMB Request	FY 87 Cong. Budget	Reduction	Comparison Between FY 1987 OMB & Congressional Budgets "Key Activity Summaries"
Waste Management	8	2100	324	-1776	1 Eliminated characterization of chemical & physical properties of waste materials, and batch & column leaching tests.(-200) 2 Reduced funding for ongoing research activities.(-1026) 3 Eliminated multi-year, multi-site field monitoring to observe behavior of solid wastes.(-550)
ADV. RESEARCH & TECH. DEV.					
Technology Crosscut	1	7894	6356	-1538	- Reduced funding for ongoing research activities.(-1538)
University Coal Res.	10	5940	4000	-1940	- Eliminated approximately 10 new university projects.(-1940)
Direct Utilization	4	11413	9415	-1998	- Reduced funding for ongoing research activities.(-1998)
Components	9	1930	1593	-337	- Reduced funding for ongoing research activities; eliminated university res. in solids transport.(-337)
Materials	14	7100	5860	-1240	- Reduced funding for ongoing research activities; eliminated research for superheater alloys for advanced steam conditions.(-1240)
COAL LIQUEFACTION					
Direct Liquefaction	24	8747	2996	-5751	1 Eliminated POC activities in coprocessing & close coupled catalytic liquefaction.(-2400) 2 Reduced funding for lab and bench scale process research.(-2600) 3 Eliminated novel/innovative approaches to direct liquefaction.(-547)
Indirect Liquefaction	26	4900	2539	-2361	- Reduced research on new homogeneous/heterogeneous catalysts, poison-resistant components, & reactor designs.(-2361)
Support:Studies and Engineering Evaluations	33	4200	992	-3208	1 Reduced funding for research guidance studies and instrument & component research.(-1563) 2 Eliminated biomedical studies with emphasis on products of coprocessing & close coupled catalytic processes.(-1000) 3 Eliminated data base management activities.(-400)
Advanced Research	16	5341	2620	-2721	- Reduced funding for ongoing research activities.(-2721)
COMBUSTION SYSTEMS					
AFB Combustion	5	3274	1590	-1684	1 Reduced funding for completion of special AFB applications studies, and construction & testing of bench scale units.(-700) 2 Eliminated bench scale testing of advanced concepts.(-400) 3 Eliminated design follow-on from economic studies of critical cost elements.(-584)
Alternative Fuels	11	4069	2011	-2058	- Eliminated ind./commercial boiler/furnace systems FY 86 PRDA.(-2058)
PFB Combustion	3	8700	3686	-5014	1 Reduced funding for Phases I & II for a high efficiency PFB sys.(-3000) 2 Eliminated experimental testing program to verify lab. testing to determine erosion/corrosion effects on high temperature metals.(-600) 3 Eliminated market analysis/risk assessments, & a novel coal/sorbent feed & subsystems development program.(-1400)

Key Activity	Priority	FY 87 OMB Request	FY 87 Cons. Budget	Reduction	Comparison Between FY 1987 OMB & Congressional Budgets "Key Activity Summaries"
Adv. Combustion Tech.	15	3877	1882	-1995	- Reduced funding for completion of PRDA on light industrial/commercial/ institutional combustion systems.(-1177)
FUEL CELLS					
Molten Carb. Systems	17	6600	3400	-3200	- Reduced funding for ongoing research activities.(-3200)
Advanced Concepts	20	4183	1600	-2583	1 Eliminated funding for system studies & res. on solid oxide FC materials. & cell fabrication techniques.(-583) 2 Reduced funding for 5 kW solid oxide module & development of a 25 to 200 kW generator.(-2000)
Phosphoric Acid Systems	N/A	0	0	0	
HEAT ENGINES					
Gas Turbines	18	13000	6394	-6606	- Reduced funding for adv. coal-fired gas turbine concepts.(-6606)
Diesel Engines	21	4100	1548	-2552	- Reduced funding for additional diesel engine research.(-2552)
UNDERGROUND COAL GASIF.					
Environmental and Advanced Research	37	1100	0	-1100	1 Eliminated monitoring of past test sites & related site abandonment activities.(-200) 2 Eliminated environmental support to two field programs, quantification of aquifer contamination, & mitigation mechanisms & strategies.(-900)
Gasification Technology Development	39	4400	0	-4400	1 Eliminated international technology cooperation activities.(-100) 2 Eliminated final year of 3 year project for application of UCG to sub-bituminous coals.(-2300) 3 Eliminated incorporation of field test data into process models, and technical & laboratory support for the bituminous effort.(-800) 4 Eliminated small scale field tests at outcrop to evaluate promising concepts for UCG in bituminous coals.(-1200)
MAGNETOHYDRODYNAMICS	43	4000	0	-4000	o Eliminated termination costs for MHD program.(-4000)
SURFACE COAL GASIFICATION					
Systems Engineering Concepts	25	5178	1373	-3805	1 Greatly reduced PDU effort exploring issues limiting the integration & development of gasifier/adv. hot gas cleanup systems/turbines for production of power.(-2597) 2 Reduced funding for development of new systems capable of optimizing the production of coproducts of coal.(-450) 3 Eliminated development of a limited number of promising alternatives to components, instruments, etc. that have high failure rates, capital costs or high maintenance costs.(-761)

Key Activity	Priority	FY 87 OMB Request	FY 87 Cons. Budget	Reduction	Comparison Between FY 1987 OMB & Congressional Budgets "Key Activity Summaries"
Advanced Process Development	27	4620	1689	-2931	1 Eliminated studies on adv. concepts for coal gasif. cleanup processes, applications of catalysts, new & improved injection & mixing configurations for high density solid transfer systems; application of new coal chemistry techniques.(-600) 2 Reduced funding for studies on adv., stages, concurrent, rapid rate gasifiers.(-948) 3 Eliminated PRDA to examine gasifier operating conditions.(-500) 4 Reduced funding for studies on adv. gasifier concepts, pretreatment processes, new catalysts & processing chemistries.(-750)
Environmental and Engineering Analyses	28	2364	1131	-1233	1 Eliminated studies on environ. aspects of coal gasif. through chemical char. res. on byproducts generated in adv. gasif. processes, & evaluation of innovative waste water treatment & control concepts.(-550) 2 Eliminated slip stream testing.(-650)
Great Plains Project	34	2200	437	-1763	- Reduced funding for management & monitoring activities.(-1763)
Advanced Research	19	2348	968	-1380	1 Eliminated investigation of coal reactions, kinetics & mechanisms associated with mild gasification processes.(-890) 2 Eliminated investigation of new approaches to gas separation.(-490)
UNCONVENTIONAL GAS RECOVERY					
Western Tight Gas Sands	38	5600	3582	-2018	1 Reduced funding for fracture stimulation research & production testing of lenticular tight gas sands.(-550) 2 Eliminated supporting research in fracture diagnostics, fracture fluids & proppants, & remote lens analysis.(-700) 3 Eliminated geologic/engineering studies of Uinta & Greater Green River Basin.(-200) 4 Eliminated well tests to extrapolate MWX data & strategies to other parts of Piceance Basin.(-568)
Eastern Gas Shales	41	1466	355	-1111	1 Eliminated stimulation of directionally drilled borehole with associated fracture diagnostics.(-500) 2 Eliminated stimulation mechanics investigations, and stimulation & reservoir model validations.(-600)
Environmental and Advanced Research	42	2239	1315	-924	1 Eliminated selective coring of active subduction zone in cooperation with NSF.(-250) 2 Reduced funding for resource identification & evaluation of gas hydrates & deep source gas.(-300) 3 Eliminated deep source res. on gas detection/differentiation sys.(-150)

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Key Activity	Prior-ity	FY 87 OMB Request	FY 87 Cons. Budget	Reduc-tion	Comparison Between FY 1987 OMB & Congressional Budgets "Key Activity Summaries"
ADV. PROCESS TECHNOLOGY					
Advanced Exploratory Research	22	4580	1576	-3004	1 Eliminated extraction related studies on subsidence problems; separation of toxic metals from heavy crudes; investigation of volitalization of organic compounds from synfuels waste water.(-680) 2 Eliminated extraction tech. res. focusing on reservoir characteristics; dev. of adv. instruments: reservoir heterogenities.(-1472) 3 Eliminated solicitation having the potential for significant cost-sharing.(-350) 4 Eliminated fuels testing research; correlation of fuels composition & processing needs; predictive models of process to composition.(-500)
Arctic and Offshore Research	23	1420	235	-1185	1 Eliminated coop. agreement with Alaska to examine the applicability of lower 48 tech. as to Alaskan resources; and ice & perma-frost res.(-375) 2 Reduced funding for the update & maintenance of the Arctic/offshore oil & gas res. data base.(-390) 3 Eliminated coop. agreement with industry on identified impediments to energy dev.(-420)
ENHANCED OIL RECOVERY					
Light Oil	29	7100	3876	-3224	1 Eliminated basic & novel extraction concept studies.(-1200) 2 Reduced funding for microbial EOR studies.(-500) 3 Eliminated maintenance of national EOR & oil reservoir data base.(-400) 4 Reduced funding for studies of CO2 & other gas flooding concepts.(-175) 5 Reduced funding for rock fluid studies.(-400) 6 Reduced funding for investigation of high temp. stable polymer systems & fundamental surfactant studies.(-450)
Heavy Oil	35	3200	608	-2592	1 Eliminated funding for joint res. with Venezuela & Mexico on heavy oil characterization, thermal recovery eval., subsidence prediction & reservoir modeling.(-550) 2 Eliminated maintenance of heavy oil data base & EOR post test analysis.(-550) 3 Reduced funding for studies of fluid flow & steam additive mechanics & variables affecting mobility control.(-592) 4 Eliminated expansion of exploratory investigations of microbial EOR of shallow heavy oil reservoirs.(-200) 5 Eliminated funding for studies on in situ combustion reaction kinetics & variables including combustion gases, & alkaline flooding in EOR.(-500) 6 Eliminated examination of feasibility of nonconventional approaches to improve sweep efficiency & recovery.(-200)

Key Activity	Prior-ity	FY 87 OMB Request	FY 87 Cong. Budget	Reduc-tion	Comparison Between FY 1987 OMB & Congressional Budgets "Key Activity Summaries"
Tar Sands	40	1650	0	-1650	1 Eliminated basic parametric tests of steam, gas & other thermal in situ recovery methods of tar sands recovery.(-850) 2 Eliminated cooperative res. with Canada in remote tracking of thermal fronts & in steam-with-additives res.; initiate coop. effort in mine-assisted and/or other high risk recovery technology.(-450) 3 Eliminated fundamental process chemistry & environ. studies, & investigation of adv. concepts of dry surface & radio frequency in situ recovery processes.(-350)
OIL SHALE					
Environmental Mitiga-	36	5000	517	-4483	1 Eliminated new thrust in solid waste mngt. including engineering-scale spent shale pile chemical & physical stability res.; studies of critical questions associated with codisposal & spent shale pile stability.(-3948) 2 Eliminated development of siting methodology.(-435)
Oil Shale Technology Base	30	6500	3078	-3422	1 Eliminated block reactor low void tests; 3-bore hole field explosive test; advanced in situ instrumentation.(-1850) 2 Reduced funding for some adv. process analysis that resulted from prior PRDAs, & to examine new concepts.(-550) 3 Reduced funding for experiments with reference shales and maintaining reference shale bank activities.(-1000)
PROG. DIRECTION & MNGT. SPT.					
Hdqtrs. Prog. Direction	12	13641	11260	-2381	- Reduced funding
ETC Program Direction	13	41808	28740	-13068	- Reduced funding
Alaska Pipeline Inspector		221	221	0	
PLANT AND CAPITAL EQUIPMENT					
Capital Equipment	31	3870	0	-3870	- Eliminated funding for capital equipment
Construction	32	4000	0	-4000	- Eliminated funding for GPP at the ETCs
CO-OP R&D VENTURE POOL		---	12500	12500	- Added Cooperative R&D Venture Pool program
TOTAL FOSSIL ENERGY R&D		272521	150090	-122431	

* After the OMB allowance was received all project funding requirements were re-estimated for projects to be continued in FY 1987 based upon the latest information from the FY 1986 execution plans. Consequently, the funding requests for certain projects were increased above the amounts originally requested from OMB and are considered to be the highest priority.

COMPARISON BETWEEN FY 1987 OMB & CONGRESSIONAL BUDGETS

"KEY ACTIVITY SUMMARIES"

($ in thousands)

	FY 87 OMB Request	FY 87 Cons. Budget	Reduction
COAL			
Control Tech. & Coal Prep.	38748	18147	-20601
Advanced Research & Tech. Dev.	34277	27224	-7053
Coal Liquefaction	23188	9147	-14041
Combustion Systems	19920	9169	-10751
Fuel Cells	10783	5000	-5783
Heat Engines	17100	7942	-9158
Underground Coal Gasification	5500	0	-5500
Magnetohydrodynamics	4000	0	-4000
Surface Coal Gasification	16710	5598	-11112
Total Coal	170226	82227	-87999
GAS			
Unconventional Gas Recovery	9305	5252	-4053
PETROLEUM			
Advanced Process Technology	6000	1811	-4189
Enhanced Oil Recovery	11950	4484	-7466
Oil Shale	11500	3595	-7905
Total Petroleum	29450	9890	-19560
PROG DIRECTION & MNGT. SUPPORT	55670	40221	-15449
PLANT & CAPITAL EQUIPMENT			
Capital Equipment	3870	0	-3870
Construction	4000	0	-4000
Total Plant & Capital Equip.	7870	0	-7870
CO-OP R&D VENTURE POOL	---	12500	12500
TOTAL FOSSIL ENERGY R&D			
Operating Expenses	264651	150090	-114561
Capital Equipment	3870	0	-3870
Construction	4000	0	-4000
Subtotal Fossil Energy R&D	272521	150090	-122431
Prior Year Offsets	0	-64811	-64811
FE Constr. Transfer	0	-2075	-2075
Approp. Transfers	-2200	-437	1763
TOTAL FOSSIL ENERGY R&D NEW BUDGET AUTHORITY	270321	82767	-187554

LIST OF MAJOR ACTIVITIES

Senator McClure. Would you provide a list of major activities you are continuing into fiscal year 1987 under this reduced budget?

Mr. Bauer. Yes, Mr. Chairman.

[The information follows:]

Major Activities Continuing Into Fiscal Year 1987

Following is a list of major activities which will be continued into fiscal year 1987 from fiscal year 1986:

	Adjusted fiscal year 1986	Fiscal year 1987
Control technology and coal preparation:		
Joint Department of Energy/Electric Power Research Institute [EPRI] advanced coal cleaning development and test program	$538,000	$1,000,000
Investigation of advanced concepts for chemically modified coals	2,286,000	1,300,000
Proof of concept test and evaluation for acid rain precursor control technology process candidates	1,797,000	3,390,000
Research on advanced NO_x/SO_2 chemistry and advanced concept development	4,456,000	2,341,000
Advanced research and technology development [AR&TD]: Research on coal combustion science	5,131,000	4,643,000
Coal liquefaction: Research on advanced process concepts	6,667,000	2,996,000
Combustion systems:		
Followon research at Grimethorpe	1,441,000	1,500,000
Multiphase program for a high efficiency pressurized fluidized bed [PFB] system	1,695,000	1,000,000
Light industrial, commercial, and residential combustor concepts	1,655,000	1,400,000
R&D for coal-liquid mixtures/microcoal fuels in residential boiler/furnace systems	2,572,000	1,780,000
Fuel cells:		
Development of external and/or internal molten carbonate stacks	7,831,000	2,600,000
Solid oxide fuel cell concept	3,251,000	1,600,000
Heat engines:		
Coal-fired gas turbine integrated systems test validation program	8,432,000	5,994,000
Coal-fired diesel engine integrated systems test validation program	2,585,000	1,548,000
Surface coal gasification:		
Theoretical studies on coal gasifiers and gasification systems	445,000	703,000
Joint DOE/GRI engineering analyses program		600,000
Advanced process technology:		
Fundamental petroleum research at NIPER	1,927,000	1,500,000
Arctic/offshore oil and gas research data base	839,000	235,000
Enhanced oil recovery: Postfield test analyses of enhanced oil recovery trials and studies of geologic heterogeneities	1,537,000	1,100,000
Oil shale:		
Eastern oil shale research	1,922,000	1,450,000
Reference shales characterization and experiments	2,192,000	1,201,000
Unconventional gas recovery:		
Fracture stimulation research and production testing at multiwell facility	4,216,000	3,200,000
Geochemical and geophysical diagnostic tests for gas hydrates onthe North Slope of Alaska	586,000	650,000

RESEARCH CONDUCTED WITH INDUSTRY

Senator McCLURE. Your overall budget appears to reduce the amount of research to be conducted with industry.

Why should Congress support an increased proportion of in-house R&D when in-house R&D is less likely to be transferred directly to industry?

Mr. BAUER. Mr. Chairman, I guess I am not the first to say that our budget request is driven by fiscal constraints. Under those constraints and the targets given to us, we are conducting a technology base, long-range, high-risk research program, that is something that is normally not financed by the private sector. The in-house research provides a basis and a knowledge base from which universities, national laboratories, and the private sector can go forward and make future marketplace decisions.

Senator McCLURE. You have indicated that you consciously went to long-term, high-risk research. Did you review the additional costs that in-house research will entail because of the lack of industry support?

Mr. BAUER. Not to my knowledge, Mr. Chairman. I've looked over recently the amount of cost sharing we get. The longer the range and the higher the risk the research is, the smaller the cost sharing is that we have been getting from the marketplace. So in that area it has been down to like 1, 2, 3, 4 percent. So probably, yes, you do lose some leverage of Federal dollars, but I don't think it was that much. But a detailed review was not conducted, Mr. Chairman.

DEFERRALS AND PROPOSED RESCISSIONS OF FISCAL YEAR 1986 FUNDS

Senator McCLURE. The administration deferred fiscal year 1986 funds for certain activities and proposed rescissions for others. The House of Representatives and the Senate Appropriations Committee have recommended overturn of the deferrals in the fiscal year 1986 urgent supplemental appropriations bill.

I appreciate the fact that you have continued to fund these activities in an effort to allow Congress the time to act.

Have all of the projects proposed for deferral continued to be funded?

Mr. BAUER. Yes, they have, Mr. Chairman. They are funded now through June 20.

Senator McCLURE. What is the status of those projects proposed for rescission, the Waltz Mill gasifier and the 7.5-megawatt phosphoric acid fuel cell?

Mr. BAUER. That money for those two activities has been released to the Department and negotiations are underway or the money is being placed in those two contracts.

Senator McCLURE. Have the funds held in reserve for magnetohydrodynamics [MHD] been released to the Department? GAO turned that into a rescission.

Mr. BAUER. The money has not been released to the Department, Mr. Chairman.

Senator McClure. In other words, the Department is acting as though the GAO had not acted?

Mr. Bauer. Mr. Chairman, I am trying to recall. I think GAO rendered that opinion on April 17. Then the 45-day clock started and the expiration of that 45-day period was something like May 30. As of today the money has not been provided to the Department for initiation of the program.

Senator McClure. In other words, that is still in OMB's hands? It is not a departmental decision?

Mr. Bauer. Yes, Mr. Chairman.

Senator McClure. If indeed it is a rescission, then it ought to be treated as a rescission, should it not?

Mr. Bauer. Yes, Mr. Chairman.

Senator McClure. I think I understood you to indicate that the projects proposed for deferral are being funded until Congress can act.

Mr. Bauer. All of the projects that were ongoing at the time of deferral are continuing to be funded. Those projects that were new starts have not started. So if it was an ongoing project and the money was deferred as of, I think it was some time in February, we have continued to fund that. But if it was a new start, a new activity added, that has not been started.

Senator McClure. That was my understanding and I hadn't understood your earlier response to state it quite that precisely.

DISTRIBUTION OF FOSSIL ENERGY RESEARCH AND DEVELOPMENT FULL-TIME EQUIVALENTS

In general, the fossil energy full-time equivalent [FTE] situation is a bit confusing.

The request for the Combustion Systems Program is 69 percent below the fiscal year 1986 appropriation, yet direct FTE's for the program drop only from 24 to 20.

The request for surface coal gasification is 87 percent below the fiscal year 1986 level, yet direct FTE's drop from 32 to 18 and indirect FTE's are proposed to increase from 37 to 43 in fiscal year 1987.

There is no request for MHD, but funds were provided in fiscal year 1986 for this program. Yet your justification indicates that there are no FTE's provided for MHD in fiscal year 1986.

For the past few years Congress has imposed a personnel floor on the Fossil Energy Program. In order to lift this floor as you have requested we need to be reassured that the program will not erode and that the FTE's will be placed in the programs where the funding has been placed.

Can you explain these broad discrepancies in the FTE levels?

Mr. Bauer. I defer to Mr. Walsh.

Mr. Walsh. In the MHD Program they were omitted in the fiscal year 1986 column of the fiscal year 1987 budget by error. There should have been FTE's in the fiscal year 1986 column.

In the combustion program there is a significant decrease in funding primarily because of the Tennessee Valley Authority [TVA] project, and what we have done is try to maintain in-house capabilities with the energy technology centers [ETC's]. The management of the TVA project is not staff-intensive; that is why the reduction was not that significant.

Senator McCLURE. What you are saying is that although the program level drops in dollars, the in-house level is maintained at a higher proportion and that is where the FTE's are used?

Mr. WALSH. It's maintained at a proportionate level in the case of the combustion.

In the case of surface coal gasification, we had some programs that had no budget request, like underground coal gasification, but we had people associated with those programs. So without conducting a reduction in force, we had to assign those folks to other programs to effectively utilize them, which is what we did. That is why you saw an increase in that program.

Senator McCLURE. Would you provide for the record a revised table of FTE requirements and the placement of personnel, because I simply can't make them match from the justification that you have given us?

Mr. WALSH. Yes, sir.

Senator McCLURE. Would you provide for the record, by program, the funds that would be needed in fiscal year 1987 to retain the mandated floors?

Mr. BAUER. Yes, Mr. Chairman.

Mr. WALSH. Yes, Mr. Chairman.

Senator McCLURE. And in program direction and management support, would you provide separate numbers for headquarters and ETC program direction?

Mr. BAUER. Yes, sir.

Senator McCLURE. Would you also please provide a table showing for fiscal year 1985, 1986, and 1987 the funding allocated to direct and indirect costs for headquarters, Morgantown Energy Technology Center [METC], Pittsburgh Energy Technology Center [PETC], and Bartlesville project office [BPO]?

Mr. BAUER. Yes, sir.

Mr. WALSH. Yes, sir.

[The information follows:]

DISTRIBUTION OF FTE'S

The following information represents the current distribution of FTE's by program and the most recent estimate for fiscal year 1987:

	Fiscal year 1986	Fiscal year 1987 request
Control technology:		
Direct	63	49
Indirect	33	27
Subtotal	96	76
AR&TD:		
Direct	36	25
Indirect	21	20
Subtotal	57	45
Coal liquefaction:		
Direct	79	51
Indirect	26	26
Subtotal	105	77
Combustion:		
Direct	29	22
Indirect	21	15
Subtotal	50	37
Fuel cells:		
Direct		
Indirect	9	4
Subtotal	9	4
Heat engines:		
Direct	6	6
Indirect	11	10
Subtotal	17	16
Underground coal gasification:		
Direct		
Indirect	6	1
Subtotal	6	1
Magnetohydrodynamics:		
Direct		
Indirect	5	
Subtotal	5	
Surface coal gasification:		
Direct	20	17
Indirect	23	21
Subtotal	43	38
Advanced process technology:		
Direct		
Indirect	11	1
Subtotal	11	1
Enhanced oil recovery:		
Direct	7	7
Indirect	14	7
Subtotal	21	14

	Fiscal year 1986	Fiscal year 1987 request
Oil shale:		
Direct	11	11
Indirect	9	9
Subtotal	20	20
Undergound gas recovery:		
Direct	11	11
Indirect	11	7
Subtotal	22	18
Cooperative R&D ventures pool:		
Direct		
Indirect		1
Subtotal		1
Program support:		
Headquarters	39	35
Bartlesville PO	4	
Morgantown ETC	125	77
Pittsburgh ETC	70	79
Subtotal	238	191
Total R&D	700	539

ADDITIONAL COSTS REQUIRED TO RETAIN FLOORS

The following information represents the funds that would have to be added to the budget to retain the personnel floors:

Program	FTE's			Cost to retain flloors
	Congressional floor	Fiscal year 1987 budget request	Delta	
Control technology and coal preparation	55	45	−10	+$453,000
AR&TD	32	15	−17	+754,000
Coal liquefaction	72	51	−21	+949,000
Combustion systems	24	20	−4	+114,000
Fuel cells				
Heat engines	7	6	−1	+30,000
Underground coal gas				
MHD				
Surface coal gas	23	18	−5	+224,000
Advanced process technology				
Enhanced oil recovery	6	3	−3	+111,000
Oil shale	13	12	−1	+50,000
Unconventional gas recovery	11	10	−1	+39,000
Program direction	457	359	−98	[1] +6,835,000
Total	700	539	−161	+9,559,000

[1] Headquarters program direction—$1,708,000; ETC program direction—$5,127,000.

Funding for Direct and Indirect Costs

The funding allocated to direct and indirect costs for headquarters, METC, PETC, and BPO for fiscal year 1985, fiscal year 1986, and fiscal year 1987 are reflected in the following chart:

SUMMARY OF FOSSIL ENERGY DIRECT AND INDIRECT COSTS

[BA in thousands]

	HQ		METC		PETC		BPO		Total	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
Fiscal year 1985		8,273	10,424	19,460	13,296	17,026		1,421	23,720	46,180
Fiscal year 1986 revised		[1] 10,815	10,446	20,214	12,319	16,869		1,671	22,765	49,569
Fiscal year 1987 congressional budget		11,260	11,522	15,807	11,992	12,933			23,514	40,000

[1] Includes SBIR reduction of -$2,565,000.

FISCAL YEAR 1987 COAL PREPARATION PROPOSED ACTIVITIES

Senator McClure. In coal preparation, your justification indicates that 20-pound scale testing of the Gravimelt microwave reactor will be completed in fiscal year 1986 and the design of preproof of concept system will be completed in fiscal year 1987.

Are the fiscal year 1986 tests on schedule?

Mr. Bauer. Yes, sir; right now we are doing individual tests of the reactor and the regeneration system. Those tests will continue through the balance of this fiscal year.

In August of this year there is scheduled an economic assessment of that process. The 1987 program envisions the economics being favorable. We are meeting the program milestones. It looks favorable for proceeding on with the design and the manufacture and the conduct of integrated tests, that is, integrating the reactor with the regeneration system.

Senator McClure. Will it take you an entire year to design the preproof of concept system?

Mr. Bauer. I would believe so, Mr. Chairman, yes.

Senator McClure. Could you provide a detailed estimate, if you have it at this time, of the expected costs after the preproof of concept system is designed?

Mr. Bauer. Yes; we will, Mr. Chairman.

[The information follows:]

Gravimelt

At the present time TRW is under contract to fabricate and test Gravimelt subsystems at the 20 pound/hour scale. The reactor (rotary kiln) and the regeneration subsystems are in shakedown now with testing scheduled to continue through September 1986. The next planned development step (pending a favorable economic assessment to be completed in August 1986) is to operate the 20 pound/hour existing subsystems in an integrated and continuous mode. The design of this integrated system test unit is to be completed in fiscal year 1987. The next steps after design are construction and operation. The total program is estimated to take approximately 3 years and cost approximately $4 million.

DOE/EPRI PROJECT

Senator McClure. In fiscal year 1985 Congress provided you with $3.5 million to initiate joint DOE/EPRI advanced coal research. In fiscal year 1986 just over $500,000 has been estimated and you have requested $1 million in fiscal year 1987 to continue these tests.

Is there a reason this program has such varied funding levels?

Mr. Bauer. The reason, Mr. Chairman, is that in the budget request the program was laid out in fiscal year 1985. I believe we received money in fiscal year 1985. Then we solicited proposals. Upon receipt of those proposals and subsequent negotiation, the amount needed for those negotiated contracts was significantly less than our estimates. In fact, in fiscal year 1985 I think Congress appropriated something like $3.5 million, and there was only $500,000 needed in fiscal year 1986 to meet the funding profile for the two selected processes, one by AED and the other one by Bechtel, to go into the EPRI Homer City facility.

So, in essence, we estimated the funding requirements. When we got the bids in they were significantly less than expected, and that is why recently we sent a letter to inform you of that action and that we were going to utilize those funds for another competitive action.

Senator McCLURE. Is that program successful?

Mr. BAUER. Right today, Mr. Chairman, with the one process we have engineering problems and maybe some scientific problems. It's a process by, I believe, AED. We have stopped and we are going to do some more engineering work on that process.

At the same time, the Bechtel process, which is the microbubble, is doing quite well. They are ahead of schedule. So we are going to put them in as No. 1 on the schedule to go into EPRI's facility at Homer City and try not to lose much time.

Senator McCLURE. You are not having an unusual amount of difficulty with that program, or are you?

Mr. BAUER. The process proposed by AED was to go in there first, and based upon laboratory work and an evaluation of that, it seemed like a very good process; but when it was scaled up to go into the Homer City facility, we ran into engineering problems. So what we are doing is saying we are going to revisit that engineering design and make a decision on that.

Senator McCLURE. There is nothing inherently difficult in cooperation with EPRI?

Mr. BAUER. EPRI's cooperation has been out of this world, fantastic, totally cooperative.

Senator McCLURE. It is not unusual that you run into engineering problems when you scale up, is it?

Mr. BAUER. No, Mr. Chairman.

Senator McCLURE. That's why you scale up, to find out, isn't it? If you never had engineering problems as you scale up there would be no point in doing it, would there?

Mr. BAUER. Our engineering judgment was that the scale-up risks on the first process were less than what we experienced.

FISCAL YEAR 1987 AR&TD BUDGET REQUEST

Senator McCLURE. An important goal of the Advanced Research and Technology Development Program is the discovery of new concepts and the small-scale testing of these concepts for technical feasibility. This generic research is used to support all of the fossil energy coal programs. Yet I note that the funding request in fiscal year 1987 for AR&TD is 20 percent below the fiscal year 1986 adjusted level and the direct FTE level is cut by more than 50 percent.

In the short run, the AR&TD Program may be able to maintain this goal at the reduced funding level, but I am doubtful that it can be maintained with the large reduction of FTE's.

Can you actually run this program and maintain its goals with such a large reduction in FTE's?

Mr. WALSH. Mr. Chairman, when we were developing the budget a disproportionate reduction in FTE's was made to the AR&TD Program. It should not be the 50 percent; it should be more along the lines of 23 to 25 percent. You will get that in the new tables we will submit to you.

Senator McCLURE. All right.

If Congress approves this budget and maintains it for a period of years, when do you feel the decreased emphasis on advanced research and technology development would impact on fossil energy coal programs?

Mr. BAUER. With the continued funding at the 1987 requested level for a period of 5 years all one would have is basic chemistry data, reaction kinetics, and initial technology data from which one would make a decision whether one wanted to pursue a particular process or not. The future of coal would solely rest with the marketplace making a decision to take that technological base data and scale on up. I think probably it is a 5-year period.

INTERAGENCY TASK FORCE ON ACID RAIN

Senator McCLURE. Can you briefly explain the interagency task force on acid precipitation?

Mr. WALSH. The interagency task force on acid precipitation was established by the Acid Precipitation Act of 1980, by the Congress, to develop and implement a comprehensive national program to increase our understanding of the causes and effects of acid deposition and to recommend actions to be taken. The task force was established and it was chaired jointly by the National Oceanic and Atmospheric Administration, the Environmental Protection Agency, the Department of Energy, the U.S. Department of Agriculture, and the Department of the Interior. The program is implemented through seven task groups and lead agencies. The Office of Fossil Energy has the lead responsibility on the task force for DOE, and we chair the emissions and controls task group.

Senator McCLURE. I think we were conscious of the fact when that act was passed and seven agencies were brought together that there is a coordination problem. The lead agency has been established. Is it working? Or is the group so broad you can't move it forward, or is it moving well?

Mr. WALSH. It is my understanding that it is moving quite well.

Senator McCLURE. If I understand correctly, you are reducing the emphasis on quality assurance of data and analytical tools in that task force. If that is the case, will another agency pick up the slack, or is there no longer a need for quality assurance?

Mr. WALSH. The funds available to conduct independent external reviews will be reduced but not eliminated. The reduction in 1987 is from a $720,000 contribution by us to $650,000. It was decided by the task force that this element of our overall program would be the least affected of the whole program by taking that reduction. What we are intending to do in reducing these funds is rely more on unpaid, by invitation, reviews and critiquing of the work. So it's a $70,000 reduction of a $720,000 contribution.

WILSONVILLE AND LA PORTE FACILITIES

Senator McClure. Last year both the Senate and House provided funds and supported the potential of the Wilsonville and LaPorte coal liquefaction facilities. I note, however, that you have not requested funds for either one of these facilities in 1987.

Was this simply a budgetary decision or do you disagree with their potential?

Mr. Bauer. Neither, Mr. Chairman. First of all, in looking at Wilsonville, we have operated in an integrated closed couple mode on Illinois No. 6, Pittsburgh No. 8, and Wyodak coal.

We have results on heat and material balances, good projections on the amount of distillate per pound of hydrogen, and projected economics. If we continue running the facility on coal to gain more data, all it does is increase your reliability of your data base.

Although we are continuing to fund it under the deferral scenario, we believe that we have met our objectives and done all that needs to be done on the integrated two-stage liquefaction activity at Wilsonville.

On LaPorte, looking at the laboratory work that was done, the 30-day run, the 40-day run, and all that is available on that project, we believe that there is sufficient data to scale up. In fact, before the Clean Coal Technology Program was initiated, there was an unsolicited proposal received by the Department for the scale up of that technology to go to Muscle Shoals. The proposal was seeking cost sharing by the Department and I believe it was sponsored by the utility industry and the manufacturers of the process. So they were, by coming in with an unsolicited proposal with a very high cost share, proving the point that the data was available for scale up.

Senator McClure. If the Congress disagreed with that appraisal that you have just given us and provides money for those two facilities, what would you do with that money? What is the next step?

Mr. Bauer. My first step would be to pull together my direct and indirect liquefaction men at headquarters and in the field and say we are in receipt of money from Congress so let's figure out what to do. Then we sit down with Southern Company Services, and Air Products, EPRI, and all the interested people, and say what we can best do with the money that is appropriated.

Senator McClure. But right now you don't see any need for it?

Mr. Bauer. I cannot provide you any good technical justification right today, Mr. Chairman.

Senator McClure. I am sure the companies that are involved have communicated to you, have they not, what they believe the next step should be?

You have gotten the proposals from them?

Mr. Bauer. Verbally.

On Wilsonville, since that is owned by EPRI, we submitted a report to Congress talking about the future uses of Wilsonville once we finish the integrated two stage tests. That facility has the potential to be used at the appropriate time for scale up of the coprocessing work we are doing plus the direct catalytic work we are doing at HRI. EPRI is very open on it. We have a facility. It has a lot of potential; it's the only direct liquefaction pilot plant around in operation, and they are of the opinion, and I share that, that the facility should be maintained for future use.

Senator McClure. We will have to interrupt briefly for a vote on the floor of the Senate. I will return. I think Senator Byrd will also want to be here to ask a few questions.

The committee will stand in recess subject to call of the Chair.

[A brief recess was taken.]

CONTRACT FOR PFB COMBUSTION SYSTEM

Senator McClure. The committee will come to order.

In fiscal year 1986 you awarded the contract and initiated a multiphase cost shared program with industry for a high efficiency pressurized fluidized bed combustion system. This system is designed to provide improvements in process economics as well as reliability, operability, and environmental performance.

To complete phase I systems and intitiate phase II development you have requested $1 million in fiscal year 1987. Your request to OMB, however, for the same period and for the same program was for $4 million.

Can you explain what changes were made in the reduction from $4 million to $1 million?

Mr. Bauer. Mr. Chairman, that also is a case where there is fiscal year 1985 money and fiscal year 1986 money available. I was the selection offical on that. I planned to make selection very early in this fiscal year, like January. Selection of that one was not made until about 1 month ago. That was selection for negotiation. Even though you select a firm you have got to go through the negotiation period. Considering the fact that the budget estimate to OMB was submitted about 1 year ago and we are running at least 6 to 8 months behind on the selection and negotiation are the reasons for the difference in the numbers. The $1 million turns out to be about the right amount considering the delays we have had.

Senator McClure. Even though there are delays you will not get more than $1 million in capability during all of fiscal year 1987? That's another 16 months.

Mr. Bauer. But I have fiscal year 1985 and fiscal year 1986 money that I will add to the fiscal year 1987 amount to put into the contract at the time of award.

Senator McClure. That is still there, unexpended?

Mr. Bauer. Yes.

Senator McClure. How much of that money is available?

Mr. Bauer. As I recall, over $3 million of fiscal year 1986 and prior appropriation.

Senator McClure. What is the industry cost share for this project?

Mr. Bauer. Industry cost share is estimated to be around 18 to 20 percent.

FUEL CELLS

Senator McClure. In phosphoric acid systems, in fuel cells, your justification indicates that "no further development work will be supported on this activity. However, close coordination will be maintained with the industrial sector, GRI, and EPRI."

Can you explain that statement?

Mr. Bauer. I might say on that program that International Fuel Cells [IFC] with their partner Toshiba, are at the point where they are able to make commercial offerings to the gas utility entities today. I know they have had a lot of contacts, but they have not made a sale.

Also, as a result of the rescission, we are continuing the 7.5 megawatt with Westinghouse.

The GRI onsite program, as I recall, is fully funded.

So on the basis of those three statements, what one does—and I think it is prudent—is to maintain an interface and a coordination with those people. If they run into some engineering problems, let's say, with materials corrosion or erosion, and we are pursuing two other fuel cell technologies, the molten carbonate and the solid oxide; we may need to do some additional research for these other competing technologies.

Also, the 40 kilowatt onsite program is doing quite well now. As I understand it, one of the units just ran successfully something like 5,000 hours on landfill gas. One also gets an understanding and appreciation for the ability of those fuel cells to operate on different fuels. The last study we did indicated that the only fuel cell that could operate on synthesis gas was solid oxide because of the very high temperature. Well, if one can run on landfill gas with minimum cleaning, maybe we made a mistake.

We on one hand try to do technology transfer. We need to also have technology infusion into us to maintain awareness of what the marketplace is doing.

USE OF FISCAL YEAR 1987 UNOBLIGATED BALANCES

Senator McClure. Do you have any plans for research in fiscal year 1987 using unobligated balances?

Mr. Bauer. In phosphoric acid fuel cell, what we are doing now is proceeding forward with a competitive procurement for configuration B of phosphoric acid technology. We have $4.5 million in prior appropriations to pursue that program.

Senator McClure. That is 1986, isn't it?

Mr. Bauer. That is 1986. I would expect the awards of that to be late 1986, very early 1987, so that would be an activity in that area.

Senator McClure. Would you provide for the record a further explanation of the justification that you have given us, which divides it into 1986 and 1987 activities? That is apparently by funding, because it shows nothing being done in 1987.

Mr. Bauer. Mr. Chairman, we will provide for the record the activities in 1986 going on into 1987 which would utilize prior appropations and the moneys which are a subject of deferral today.

[The information follows:]

PHOSPHORIC ACID FUEL CELLS

The IFC 11 megawatt and the Westinghouse 7.5 megawatt electric utility, the IFC 200 kilowatt and the Engelhard on-site phosphoric acid fuel cell [PAFC] contracts will continue in fiscal year 1987 utilizing prior-year funds. All of the PAFC contracts are fully funded with prior-year funds, except for Westinghouse.

The DOE IFC 11 megawatt contract (FE 60338) for extended testing of the full height stack will be completed using funding of $1.9 million ($1 million to be spent in fiscal year 1987 and $900,000 to be spent in fiscal year 1988). A new 2-year contract based on the water-cooled approach for electric utility application, will be competitively awarded by NASA in September 1986. The source of funds for this new contract is $4.5 million ($2.3 million to be spent in fiscal year 1987 and $2.2 million to be spent in fiscal year 1988). The NASA task order contract with IFC, which is primarily electric utility component technology development (fully funded with fiscal year 1984 money), extends 1 more year to June 1987. Approximately $1.9 million will remain to be spent on this contract by the beginning of fiscal year 1987.

The IFC 200 kilowatt on-site contract is scheduled to be completed by the third quarter of fiscal year 1987. It is estimated that $2.2 million of fiscal year 1986 funds will be applied to fully fund this contract in fiscal year 1987.

The Engelhard on-site work is expected to continue in fiscal year 1987 with approximately $800,000 of fiscal year 1986 funds. This contract will be completed in the first quarter of fiscal year 1987.

The Westinghouse 7.5 megawatt electric utility effort is currently in an overrun situation for the third logical unit of the contract. A contract modification for $12.4 million was recently executed to continue the third logical unit to May 1987. The fiscal year 1986 appropriated funds will be spent by the end of the calendar year 1986. At the current spending rate of $900,000 per month, Westinghouse is expected to spend $2.7 million of fiscal year 1986 funds in the first quarter of fiscal year 1987.

PHOSPHORIC FUEL CELL SYSTEM

Senator McClure. Aside from that action, though, you do not intend any other actions in fiscal year 1987?

Mr. Bauer. In phosphoric acid fuel cells, no.

Senator McClure. Are you essentially trying to say that although you are not funding outside research and you have no other inside research, keep us posted?

Mr. Bauer. Yes, Mr. Chairman.

Senator McClure. You mentioned both in your justification and in your explanation just now that International Fuel Cell Corp., and Toshiba have announced plans to market an 11 megawatt phosphoric fuel cell system based on DOE funded design and you apparently believe that that completion and that success is sufficient reason not to fund the program in fiscal year 1987. However, IFC informed me that they do have an agreement to market a fuel cell system, the necessary research for the fuel cell has not been completed, and have requested $7 million in fiscal year 1987 to complete the research.

Are you aware of that request and that position on their part?

Mr. Bauer. Yes, I am, Mr. Chairman. I will offer, if I may, just two points. One is that we have restructured the current 11 megawatt fuel cell contract, and this will be part of what we provide you for the record. There is an option in that contract that after they complete their first 1,000 hours of operation, if additional hours of operation on that full-height stack are needed, up to 3,500 hours could be made available under the contract option. I am telling this subcommittee that we have set aside prior-year moneys to exercise that option to assist them to make the penetration in the marketplace.

Senator McClure. Will you identify the source of those moneys as well as the amount of that money for the record, please?

Mr. Bauer. Yes, sir.

[The information follows:]

11 Megawatt PAFC

The IFC 11 megawatt phosphoric acid fuel cell contract (FE 60338) was modified on May 6, 1986. The revised terms of the contract requires that IFC fabricate and test for 1,000 hours a full height (700 kilowatt) stack. Currently, IFC is in the process of fabricating the stack and completing the test rig with their own funds. The Government has the option to test the stack for 3,500 hours beyond the initial 1,000 hours, provided that the stack is in workable condition. The estimated cost of the 3,500 hour test is $1.9 million. Although under the new contract arrangement IFC is responsible for the 1,000 hour test, the Government has rights to the test data. The 1,000 hour test is expected to be completed at the end of the first quarter of fiscal year 1987. The 3,500 hour test, if conducted, would be completed in March 1988. The estimated funding expenditure in fiscal year 1987 is $1 million, with the remaining $900,000 planned for expenditure in fiscal year 1988. These funds are available from prior-year appropriations.

PUBLIC MEETING WITH MHD INDUSTRY REPRESENTATIVES

Senator McClure. In the fiscal year 1986 continuing resolution Congress provided $29 million for the MHD Program. In addition, bill language was included which provided for a multiyear plan for MHD which included cost sharing by industry at a rate of 10 percent in fiscal year 1986, 20 percent in fiscal year 1987, and an additional 5 percent each year thereafter.

Earlier this year you conducted a public meeting with the MHD industry representatives.

What was the outcome of that meeting?

Mr. Bauer. That meeting, Mr. Chairman, was on February 28, and at that time the MHD industrial forum, with representation at that meeting, committed to the 10-percent cost sharing requirement as stated in the fiscal year 1986 continuing resolution. They indicated that they would be contacting our Pittsburgh Energy Technology Center to work out a methodology for validating what is their 10 percent.

Also, at that meeting, we discussed what we would do next in the event that the deferral was overturned and the money came back to the Department. We concluded that we would implement the June 1984 program with four competitive procurements: an integrated topping cycle; an integrated bottoming cycle; seed regeneration; and the conceptual design of a retrofit.

So that is where we are. We are continuing to fund them on a monthly basis, but that was in essence what came out of that meeting.

Senator McCLURE. I recognize it may be somewhat hypothetical at this point, or preliminary at this point, but do you believe they are going to come up with their cost sharing?

Mr. BAUER. They made a commitment, Mr. Chairman, and I am ready to take them up on that commitment.

Senator McCLURE. Well, they have made that commitment before.

Mr. BAUER. That's why I said at that meeting that we need to sit down with Pittsburgh and validate what is that 10 percent, what does it mean, is it cash, in-kind contributions, waiving fees, overhead.

Senator McCLURE. As I recall, one of their contributions proposed before was "we will let you put your plant alongside one of our plants and then our plant becomes our cost sharing."

Mr. BAUER. Yes, Mr. Chairman; and that is why we are going to get serious and sit down at the table across from each other this time.

Senator McCLURE. Do they sound more serious?

Mr. BAUER. They sounded serious at this one, but we will see when we sit down and talk and put pencil to paper.

Senator McCLURE. I have certainly listened in the past myself to their proposals that they were going to come with cost sharing, but they haven't done it yet. Each year they say next year.

Mr. BAUER. I agree with you, Mr. Chairman.

Senator McCLURE. I hope that in your negotiations with them you will keep in mind the fact that that has been the track record.

Mr. BAUER. We will.

Senator McCLURE. Because I think the proof of the readiness of the concept will lie in their willingness to make the cost-share provision.

Mr. BAUER. I agree, Mr. Chairman, and it takes tens of millions of dollars to go and do the full proof of concept program. Talking dollars like that at a time like this, we are going to need some signatures, and in ink, not words.

Senator McCLURE. And real commitment.

Mr. BAUER. Yes, sir.

Senator McCLURE. Validly binding, real commitments.

Mr. BAUER. I share your position, and it will be done.

LOAN DEFAULT RESERVE FOR GREAT PLAINS

Senator McCLURE. On August 1, 1985, the Great Plains Gasification Associates partnership notified the Government that their consortium intended to abandon the North Dakota facility and default on the $1.5 billion Federal loan it received to build the plant. I know you and Senator Andrews had an extensive colloquy in regard to that plant.

How much remains in the loan default reserve and what do you intend to do with those funds?

Mr. BAUER. Mr. Chairman, the default reserve, as I recall, was $673 million. We made an interest payment of $401 million; we plan to make another payment of $222 million to FFB and retain about $50 million. We have about $50 million set aside as a contingency on the part of the Department. We did that at the time when we didn't know what was going to happen, whether we would have to mothball a plant or what we would have to do. So right now all of the default reserve except for about $50 million is being sent back to the Treasury.

Senator MCCLURE. You have requested $1.02 billion to repay Treasury the loan used to retire the Great Plains debt. I understand that in a budgetary sense that is simply an offsetting entry.

Mr. BAUER. Yes; it is.

Senator MCCLURE. And, therefore, has zero budgetary impact. Am I correct?

Mr. BAUER. You are correct, Mr. Chairman.

Senator MCCLURE. I am correct in stating what they state. That's not my idea.

Mr. BAUER. That is a correct assumption.

Senator MCCLURE. I really am amazed sometimes at how innovative we can get in accounting when we can transfer $1 billion and say it has no budgetary effect.

Mr. BAUER. I have learned a lot on Great Plains, Mr. Chairman.

Senator MCCLURE. I guess we all have. But that's a new one for me.

CLEAN COAL PROGRAM

Through the use of funds from the Synthetic Fuels Corporation Congress funded the Clean Coal Technology Program. Of the $400 million provided, $100 million was allocated in fiscal year 1986 with the remaining $300 million equally divided between fiscal year 1987 and fiscal year 1988. In addition, Congress included bill language providing for the selection of projects no later than August 1, 1986.

Can you give me a brief status report of the activities in the clean coal program?

Mr. BAUER. Mr. Chairman, we were in receipt of 51 responses to the solicitation. As a result of conducting preliminary evaluation of those 51 responses, there are 39 proposals now going through comprehensive evaluation. In accordance with the statement in the public law, selection will be made by me on or before August 1 of this year.

Senator MCCLURE. How does the program relate to the recommendations of the Lewis-Davis report on acid rain?

Mr. BAUER. The Lewis-Davis report on acid rain contained five criteria. I guess in my simple way of looking at it, it was in terms of capability, and that was the ability to reduce the emissions from retrofittable utility technology on high sulfur coal. The Clean Coal Technology Program that we are pursuing, although it pertains to capability, ours is open to all technologies, all markets, and all U.S. mined coal. So in a way it encompasses in a very broad sense the criteria contained in the Lewis report.

Senator McClure. It overlaps but does not supplant?

Mr. Bauer. It includes the Drew-Lewis. For example, on the coal, theirs was just high sulfur coal. Under our Clean Coal Technology Program it is all coals.

Senator McClure. Will the Clean Coal Technology Program satisfy the Lewis-Davis report?

Mr. Bauer. I believe it will, sir.

Senator McClure. So is it a total overlap or broader than?

Mr. Bauer. It's broader than.

Senator McClure. In light of the Lewis-Davis recommendations, do you think a program larger than the clean coal program is necessary?

Mr. Bauer. Mr. Chairman, we will not make selections until the first of August this year. We have over 100 people doing the evaluations now, so I don't know what I am going to select. The Environmental Protection Agency has competitive procurements, too, out on control technology. The State of Ohio has a clean coal technology program, and they haven't made selections. The State of Illinois has just started a clean coal program. So we have got the States and the Federal Government. EPRI is doing work with the marketplace on repowering of existing technologies.

I think that what we need to do is just stop for a moment and take a look and see what we have got, because we have got to make selections and see what else is happening to these projects before one says, hey, there is a void, or we need to do something for this market or for that technology or something else. It is premature, and anything one would do now may not just complement and supplement existing efforts; it may outright duplicate. So now is not the time to talk about a larger program.

Senator McClure. I can appreciate the fact that until you make those selections, until you have looked at those solicitations, that anything you say might be somewhat tentative, but I note that the Lewis-Davis report recommended a $5 billion program and the current program at the Federal level is $400 million.

Mr. Bauer. With 50/50 cost sharing, $400 million is an $800 million program.

Senator McClure. That is still a long ways from $5 billion, unless, of course, we have some more creative accounting.

Will you do this for this committee, please. At the time you make your selections on August 1, would you provide to us a report of your own view as to whether or not the awards or the results of that action will fully meet the Lewis-Davis report objectives?

Mr. Bauer. Yes; I will, Mr. Chairman. Also, by direction of the conference committee, I have to give you a report after selection of those technologies. So we'll do both.

Senator McClure. Would you also include in one or the other of those reports or at the same time in conjunction with them an evaluation of whether or not there are enough worthwhile projects to warrant additional funding?

Mr. BAUER. Yes, Mr. Chairman.

Senator McCLURE. I appreciate your response. At least I will be ahead of OMB for a month or two.

[The information follows:]

CLEAN COAL TECHNOLOGY REPORT

As soon as practicable after the announcement of the clean coal technology [CCT] projects selected for award, the Department will provide a report on the proposals received in response to the CCT Program opportunity notice [PON]. This report or a separate report will include an assessment of the degree to which the selected projects appear to be consistent with the recommendations provided in the special envoys' report.

As previously stated, the Department plans to award the full amount currently available for the CCT Program. It is possible that certain projects originally selected will for any number of reasons drop out and that, based on the evaluation criteria and program policy factors, other projects will be selected from among the remaining proposals. As a result, a comparison based on the proposals originally selected for award, rather than those which ultimately receive awards, could be misleading. Therefore, following the award of all cooperative agreements, we will provide an addendum, if necessary, to the report comparing selected projects with the recommendations of the special envoys, to ensure that the committee has an accurate picture of the characteristics of the projects that actually will be initiated under the CCT Program.

Until all awards are made, the Department will not be in a position to offer any views on whether enough worthwhile projects remain to warrant additional funds.

OIL SHALE STUDY

Senator McCLURE. What is the status of the study and program plan of oil shale extraction techniques at the Idaho National Engineering Laboratory [INEL] that Congress requested in the fiscal year 1986 continuing resolution?

Mr. BAUER. I am going to have to defer that one.

Mr. FRYE. At the present there is a draft that has been prepared out in the field office which involved Idaho and Morgantown. I will be receiving that June 11. So it is coming along.

Senator McCLURE. Do you expect shortly after that to have something further to report?

Mr. FRYE. Yes.

Senator McCLURE. How soon after that? Can you make an estimate as to how soon after that date you might?

Mr. FRYE. Let me correct this. There are two activities here. One was the effort with the $1 million specifically with INEL. Those funds are in the deferral list, and it is a new start, so we have not specifically started that particular item. However, there was an additional item in the report language that said that Morgantown should put together a report on oil shale facilities for testing.

I met with Morgantown and involved people from Idaho on that to look at an oil shale testing facility. The report I was specifically talking about earlier was in response to the language about preparing a report at Morgantown.

Senator McCLURE. The other will await further action on the deferral?

Mr. FRYE. Right. The action depends on the deferral. But we are trying to make them consistent.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. Thank you for your testimony this afternoon, Mr. Bauer. I have been informed that Senator Byrd will not be able to leave the conference that he is conducting right now on matters that are presently on the floor or about to be on the floor of the Senate and he will submit his questions for the record. I, too, have some additional questions to be submitted for response in writing to the record, and all members of the subcommittee may have until close of business on today for the submission of such questions.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

General

Question: Because of its relative abundance, this nation will look increasingly to coal as a primary source of energy, and yet your budget for the coal programs is drastically reduced. At your requested funding level, will we be able to make the necessary technological advancements to achieve that goal?

Answer: Yes, we will. In general, we find that correlating total energy use or supply abundance with absolute levels of research funding is not a useful way of looking at the need for either federal R&D support or for private sponsorship of R&D. For example, while oil and gas are our most intensely utilized fuels, there is little evidence to suggest that they should receive more private or public research emphasis than other fuels and energy resources.

We agree that there is a continuing need for research to remove the environmental uncertainties about increased coal use and to make coal use more environmentally acceptable and economically competitive. These are the objectives which underlie the whole DOE Coal Research Program.

Question: Why are you cutting these programs back so much? Aren't these programs worthwhile?

Answer: We believe that the $82.2 million requested for the coal portion of the Fossil Energy request for FY 1987 represents the proper balance between maintaining a strong technology base R&D program while recognizing the serious national budget deficit problem and the responsibilities of the private sector. To achieve this balance, we focused our research on the most promising areas. Increased usage of any fuel source is not tied directly to the amount of R&D funding dedicated to it.

It should be noted that in addition to the $82.2 million requested for the technology base R&D program, approximately $149.1 million is available in FY 1987 to conduct cost-shared construction and operation of clean coal technology projects to demonstrate the feasibility of future commercial applications of these technologies. We believe that when all of the coal-related, Federally-sponsored programs are considered, a viable, effective coal program has been requested for FY 1987.

Cooperative R&D Ventures Pool

Question: In FY 1987, you have requested 12.5 million dollars for a cooperative R&D venture pool pilot program targeted at oil, gas and shale technologies. What do you see as the advantage of cooperative ventures over normal cost-shared cooperative agreements?

Answer: While there are similarities between the proposed ventures and cost-sharing contracts or cooperative agreements, the funding pool will be used to participate in industry-formed R&D cooperative ventures consistent with the Cooperative R&D Act of 1984. The Act was passed specifically to "promote research and development, encourage innovation, stimulate trade, and make necessary and appropriate modifications in the operation of the antitrust laws." The latter point in particular distinguishes the proposed venture program from other activities, in that it allows several interested parties, even from the gas industry, to pool their resources and their risks. By having the private sector propose the ventures and provide majority funding in the ventures, industry commitment, relevance, and technology transfer may all be enhanced. Partnership in such a venture may also provide alternate types of oversight and program reporting that will be conducive to enhanced industrial participation.

Question: What has been industry's response to this proposal?

Answer: Informal conversations with various industrial representatives suggested, in at least preliminary fashion, that there would be private sector interest and favorable reception but no formal responses have been received, nor formally solicited. Companies that have expressed some interest include a number in the oil and gas markets, and GRI's testimony among others provided to the House Committee on Science and Technology expressed interest in the general venture concept and program before the U.S. Congress.

Question: The budget request for the targeted areas for this cooperative agreement have been reduced from the FY 1986 level. If those reduced areas don't receive proposals for cooperative ventures, would the necessary R&D go unfunded?

Answer: The proposed Fossil Energy programs for FY 1987 encompass a balanced portfolio of activities that include both technology base activities that are to be funded as "Line Items" and cooperative ventures. The cooperative venture funding pool will be used to participate in industry-formed R&D cooperative ventures (which would not preclude university participation), consistent with the Cooperative R&D Act of 1984.

It is anticipated that this approach will result in a balanced program, but as with any R&D funding strategy there can be no guarantee that private sector cooperative venture proposals will be received in all areas. The joint venture concept is intended to give the private sector greater flexibility, commensurate with their increased financial responsibility, in proposing specific technologies or U.S. resource development strategies and establishing project priorities. This approach is also intended to improve the transfer of any taxpayer-supported research and technology to a strong, internationally competitive U.S. industry and ultimately to transfer it to commercial practice.

Deferrals/Rescissions

Question: The Administration deferred FY 1986 funds for certain activities and proposed rescission for others. The House of Representatives and the Senate Appropriations Committee have recommended overturn of the deferrals in the FY 1986 Urgent Supplemental Appropriations bill.

I appreciate the fact that you have continued to fund these activities in an effort to allow Congress time to act.

What is the status of projects affected by these deferrals?

Answer: All ongoing projects affected by the deferrals have continued to be funded on a month to month basis. No personnel have been terminated from their position due to the deferrals and no contracts have been terminated prematurely. The projects included in the deferrals classified as new starts have not been initiated pending final action on the deferrals.

Cooperative Agreements with UNDERC and WRI

Question: In the reports accompanying the fiscal year 1986 Continuing Resolution, Congress directed the use of 6.2 million dollars for the University of North Dakota Energy Research Center (UNDERC) and 6.7 million dollars for the Western Research Institute. These research centers had cooperative agreements with DOE that expired in March 1986 and at the end of fiscal year 1986, respectively.

In addition, Congress directed the Department to renegotiate with UNDERC and WRI to develop new cooperative agreements with both by the end of March of 1986 in an effort to phase out federal funding of these research centers by the end of fiscal year 1992.

What is the status of the new cooperative agreements?

Answer: The Department has renegotiated with UNDERC and WRI. New cooperative agreements have been developed with a schedule through FY 1992.

The WRI cooperative agreement (DE-FE21-86MC11076) was awarded to the University of Wyoming Research Corporation on April 25, 1986. Under this agreement, WRI will conduct a program of research directed towards the technical advancement and environmental impact mitigation of oil shale conversion processes, underground coal gasification and tar sands extraction and recovery. The effort will commence October 1, 1986 and will continue for a period of six years. It is a cost-sharing agreement which will require $18,483,000 in DOE funds. The WRI cost-share is to be negotiated on an annual basis.

The UNDERC cooperative agreement (DE-FC21-86MC10637) was awarded to the University of North Dakota Energy Research Center on March 31, 1986. Under this agreement, UNDERC will conduct a program of research which will further its capabilities as a research center with particular expertise in technology development for low-rank coals. The research will also characterize unique properties and reactions of low-rank coals, advance the technology base for their utilization and develop coal-specific environmental data and control technologies. This effort commenced on April 1, 1986 and will continue for a period of six years. It is a cost-sharing agreement which will require $20,820,000 in DOE funds. The UNDERC cost-share for the six years is $1,353,250.

Question: What is the fiscal year 1987 funding request for these research centers?

Answer: There are no funds designated in the FY 1987 budget request for UNDERC and WRI.

Question: For the record, please indicate what subprogram areas the funds would be used if funds were provided for UNDERC and WRI in FY 1987 at the levels in the FY 1986 Senate report?

Answer: The following chart displays a profile of funds that would have to be contributed from each subprogram to satisfy both cooperative agreements.

UNIVERSITY OF WYOMING RESEARCH INSTITUTE
COOPERATIVE AGREEMENT FUNDING PROFILE

PROGRAM/SUBPROGRAM	FY 1987 DETERMINED BY COMPOSITE %
UNDERGROUND COAL GASIFICATION	1370
ENVIRONMENTAL AND ADVANCED RESEARCH	1159
GASIFICATION TECH. DEVELOPMENT	211
UNDERGROUND GAS RECOVERY	0
ADVANCED PROCESS TECHNOLOGY	289
ADVANCED EXPLORATORY RESEARCH	
ENHANCED OIL RECOVERY	621
TAR SANDS	621
HEAVY OIL	0
OIL SHALE	3471
ENVIRONMENTAL MITIGATION RESEARCH	1921
TECHNOLOGY BASE	1550
TOTAL	5751

UNIVERSITY OF NORTH DAKOTA ENERGY RESEARCH CENTER
COOPERATIVE AGREEMENT FUNDING PROFILE

PROGRAM/SUBPROGRAM	FY 1987 DETERMINED BY COMPOSITE %
CONTROL TECH AND COAL PREPARATION	959
CTCP- FLUE GAS	403
CTCP- WASTE MANAGEMENT	192
CTCP- COAL PREPARATION	299
CTCP- GAS STREAM	65
ADVANCED RESEARCH AND TECHNOLOGY DEVELOPMENT	1838
AR&TD- DIR UTILIZATION	633
AR&TD- ENVIR ASSESSMENT	57
AR&TD- LIQUEFACTION	355
LIQUEFACTION APD	796
COMBUSTION SYSTEMS	876
COMBUSTION- AFB	218
COMBUSTION- PFB	312
COMBUSTION- ALT FUELS	347
SURFACE COAL GASIFICATION	1551
GASIFICATION- APD	388
GASIFICATION- SYSTEM ENGINEERING	394
GASIFICATION- ENVIRONMENT	552
AR&TD- GASIFICATION	218
HEAT ENGINES	75
TOTAL	5300

Cooperative Agreement with NIPER

Question: Also provide a table showing from what subprograms the FY 1987 funding in the cooperative agreement with NIPER will be taken.

Answer: The NIPER cooperative agreement funds will be provided from the following program areas:

FY 1987 - NIPER
($ in Thousands)

PROGRAM	
LIQUEFACTION	
PR/Liquefaction	500
ADVANCED PROCESS TECH	
Advanced Exploratory Research	1,500
ENHANCED OIL RECOVERY	
Heavy Oil	583
Light Oil	3,417
TOTAL	$6,000

Question: What are the Departments plans for NIPER once its cooperative agreement expires in 1988?

Answer: NIPER's Cooperative Agreement is due to expire on September 30, 1988. The Department is uncertain at this time as to what its relationship with NIPER will be after FY 1988.

The privatization of NIPER is being evaluated as a possible means to eliminate potential future DOE liabilities to sustain NIPER operations, including the cost of research and maintenance of real and personal property and assist in reducing the federal deficit via receipts resulting from the sale of the Government assets currently being used by NIPER.

Because NIPER successfully maintains the national EOR base, conducts research for DOE and provides technical assistance to a variety of institutions, including SPRO, an evaluation will be needed to determine which of these programmatic activities could be continued in association with NIPER privatization. In conjunction with this programmatic impact, FE will review whether or not the privatized facility could achieve part of its support from DOE (via a new Cooperative Agreement) or by participation in the new venture pool concept initiative, as proposed in the FY 1987 Congressional Budget Request.

Personnel

Question: Another FTE quirk exists in the MHD program. Your request to OMB shows the total staffing in FY 1985 as 1. Yet your request to Congress shows staffing of 9, all indirect in FY 1985. I would assume that FY 1985 numbers should be actuals. Can you explain this difference?

Answer: The FY 1985 column of the FY 1987 OMB budget request was an estimate while the FY 1987 Congressional Budget request reflected the actual FTE's for FY 1985.

Coal Preparation

Question: Your justification indicates that coal cleaning research at the Ames National Laboratory and Southern Illinois University will be completed in FY 1986 and no funds are requested in fiscal year 1987.

What activities are taking place in FY 1986 and what will be done with the research developed so far in this program?

Answer: During FY 1986 the Ames National Laboratory is conducting research in the areas of coal microcharacterization; alkali regeneration in support of chemical coal cleaning; the fundamentals of microwave interactions with coal; research on the mechanisms for selective agglomeration of coal; and research on chemical conditioning in an attrition grinder. Southern Illinois University is conducting research in fourteen project areas. These projects include coal characterization (combustion, sulfur constituents, transportation and handling, and safe storage); chemical coal cleaning (including microbial, electrochemical, and the use of quarternary salts); innovative concepts for small user applications of coal; and innovative concepts for waste disposal. The results of these research efforts are made available to the private sector and government research institutions through the normal procedures for technology transfer. Even though a majority of the research efforts being conducted at these two universities are in support of the coal preparation program objectives, the Department is concerned about directing funding to a specific laboratory or university without competition. As a result, no funding has been requested in FY 1987 specifically for either Ames National Laboratory or Southern Illinois University.

Question: Do both the Universities agree with this assessment that these programs will be completed in FY 1986?

Answer: Neither university is likely to agree that all of the research projects that could be conducted will be completed in FY 1986. Both universities will be eligible to compete for funding in the relevant program areas.

Flue Gas Cleanup

Question: The primary pollutants of concern identified in the New Source Performance Standards (NSPS) consist of sulfur oxides and nitrogen oxides. Technology is being developed for application to new construction, however, total replacement of existing plants is not expected until the year 2020. In the meantime, there is a need for the development of low cost, retrofittable technology for existing plants.

For retrofits, is it easier to attain sulfur oxide reductions or nitrogen oxide reductions?

Answer: In general it is easier to retrofit for control of nitrogen oxides than for sulfur oxides. Combustion modification technology is commercially available to reduce nitrogen oxide emissions from most existing boilers. One exception is the cyclone boiler. However, development of "reburning" or "fuel staging" technology is currently underway that would be applicable to this type of boiler. Commercially available technologies for retrofit to attain sulfur dioxide reductions are currently limited to wet and dry scrubbers. These technologies are more complex, expensive, and more difficult to retrofit than the nitrogen oxide control technologies. Developmental technologies for sulfur dioxide control (furnace and induct sorbent injection) offer the potential for improving this situation but it is anticipated that nitrogen oxide reductions will still be easier to attain on a retrofit basis.

Question: What are your FY 1987 plans with respect to this retrofittable technology, will you be focusing more on sulfur oxides or nitrogen oxides?

Answer: Since combustion modification technology for control of nitrogen dioxide emissions is commercially available for retrofit to most existing boilers, the FY 1987 program on retrofittable technology focuses primarily on development of control processes for sulfur oxides. This work includes induct injection of dry lime hydrate and lime slurries between the air preheater and the particulate collection system to remove some 50% to 60% of the sulfur dioxide in the flue gas stream.

AR&TD

Question: For the past several years, we have funded research on coal combustion science at a level of 3 to 5 million dollars annually. In fiscal year 1987, however, I note that you are proposing to reduce this research.

Isn't this the time to increase funding in an attempt to bring together this research by pursuing combustion modeling?

Answer: Funding for coal combustion science, one of five direct utilization AR&TD subprogram study areas, remains at the three to five million dollar level in FY 1987 ($4,643,000.00). In fact, in relative importance, support for coal combustion science increases from 46% in FY 1986 to 49% in FY 1987.

As for combustion modeling, there are several points to be made. First, modeling is not a totally separate activity. In many of our existing combustion science projects, modeling is an inherent part. Calculations are performed together with laboratory experiments to validate theories and check experimental data. It is estimated that 25 percent of present coal combustion science project costs are in support of this modeling. Second, combustion is a complex phenomenon, ranging from injection of a fuel through devolatilization, pyrolysis, volatile and char combustion, the formation and transformation of pollutants (e.g., nitrogen, sulfur, ash and alkali compounds) and heat and mass transfer. Each of these processes are dependent upon the fuel used (e.g., pulverized bituminous coal, pulverized low-rank coal, bituminous coal-water mixtures), the pressures and temperatures during combustion, and many other parameters. All must be taken into account and it will require many models to completely subsume the combustion science research undertaken. A model for a large utility boiler is fundamentally different from a model for a gas turbine combustor; two of many types of coal combustion under study. Thus, our approach has been to develop calculational techniques as parts of the overall combustion process, but not one overall combustion model.

Starting in FY 1985 and continuing through FY 1987, a project at the Brigham Young University has focused on bringing together current understanding to attempt a multi-dimensional model for one (of many) types of combustion under study. The Brigham Young modeling effort complements significant modeling also underway at three major prime contractors and several universities in the subprogram. We are arriving at a point where the research of the past decade has produced sufficient understanding and data to make a full-scale boiler model feasible. Presuming the Brigham Young and related boiler combustion modeling efforts now underway support this contention, we intend to initiate this model development in FY 1988.

The other areas of combustion science (e.g., gas turbine and diesel combustion) are not understood sufficiently well enough yet to initiate a full-scale, complete model for them.

Question: If Congress decided to do this, what would the FY 1987 costs be for such work?

Answer: The development of a model only makes sense for a particular combustion system (e.g., boiler, gas turbine) and would be a multi-year effort. Costs are estimated at approximate $200,000 in the initiating year, increasing to $500,000 for the next three years.

Question: In FY 1985, fundamental components research was initiated in the areas of solids transport. The funding for this research was increased in FY 1986. In FY 1987, however, you are proposing to eliminate support for university research in solids transport. Do universities currently do the bulk of this research? If this reduction is approved, how much of this research would be eliminated? If it is a large portion, why was it initiated at all? Has their research been unsatisfactory?

Answer: Though our FY 1987 budget request does not indicate significant support to universities in the AR&TD Solids Transport Program, universities in fact do play a continuing and significant role in this program. A PRDA issued in FY 1986 will be awarded this July. Of the seven awards to be made, six will go to universities and the seventh to a research institute. The universities supported in FY 1986 will be for a three year period -- through FY 1988. The FY 1987 request includes $193,000 for continuing these projects. A major portion of the $1,021,000 from FY 1986 will also be uncosted and available for funding to continue these university activities. The universities will remain active participants in our Solids Transport Program throughout the remainder of their contract commitments without significant additional FY 1987 funding support. The performance to date has been highly satisfactory.

Coal Liquefaction

Question: You have requested a decrease of 73 percent in FY 1987 for Indirect Liquefaction. According to your justification, this decrease can be attributed to program policy guidelines directing Fossil Energy efforts away from proof-of-concept and industrial research and towards in-house research studies. In doing so, DOE is walking away from cost shared industrial research and toward research which is completely funded by the taxpayer.

Can you explain these program policy guidelines?

Answer: The major reason for the decrease in indirect liquefaction is the completion of activities at the liquid phase methanol project. The referenced program policy guidelines recognize that proprietary industrial research projects are likely to be more expensive efforts conducted at a larger scale. At a time of severe restraints on the Fossil Energy budget it is prudent to permit industry to identify and support those projects which are believed to be potentially viable. Cost shared industrial projects continue to be supported, but much of the more basic and generic research is conducted in-house. University research continues to be a part of this program.

Question: What is the typical cost share in industry research?

Answer: For existing indirect liquefaction projects the "typical" industrial share is 20 percent. It ranges up to 45 percent.

Question: Is in-house research better than industry research?

Answer: In-house research often is more basic or generic, with a more long-term focus, not necessarily better. Basic research is more likely to lead to major breakthroughs in the cost-competitiveness of coal liquefaction. In indirect liquefaction, industrial interest reflects the existing commercial interests of the company. Industry is interested in a specific near-term process technology for producing liquid fuels.

Question: You have requested a reduction of 76 percent ($12.8 million to $2.99 millon) in Direct Liquefaction for FY 1987. This reduction is justified by stating that much of these technologies are ready for larger scale demonstration by the private sector.

What sort of interest have you gotten from industry on these demonstrations?

Answer: We believe that several coal liquefaction processes are ready for industry scale up but the economics of this route to synthetic liquid fuels are not favorable at this time. We are not aware of any current plans in industry for coal liquefaction demonstrations except for a proposal submitted under the Clean Coal Technology solicitation for coal-oil coprocessing, a promising process under active development by Fossil Energy at the bench scale. When the economics become more favorable, we think industry will be best suited to select and implement scale up tests.

Question: What is DOE doing now to encourage industry interest?

Answer: DOE continues to make data readily available from R&D projects or, in the case of adequate cost-sharing of projects, provides patent waivers which give developers a chance to prepare for process licensing. In either case, the information is available to commercial concerns. Industry interest, and public benefits, will ultimately depend on a different economic environment.

Question: How much of this reduction stems from the zero request for the Wilsonville facility?

Answer: Approximately 60 percent.

Question: In fiscal year 1986, operation and data acquisition will be completed at the methanol to gasoline (MTG) pilot plant in West Germany by using FY 1984 funds. This plant has successfully demonstrated the versatility of the basic process concept by producing olefins from methanol. Olefins can be converted to high quality diesel fuel in an existing process and can provide an efficient route for the production of diesel fuel, and gasoline, from methanol.

Since the demonstration will be completed and you have not requested any funds in FY 1987, what are DOE's plans with this process?

Answer: The methanol to gasoline (MTG), or olefins (MTO) project has been completed in the best sense of the word. The fluid bed technology was successfully demonstrated in a plant converting 100 barrels per day of methanol and the data is now available to support the designs for commercial plants. Conceptual designs for plants producing 8,800 barrels of gasoline, and 52,900 barrels of gasoline, per day from Pittsburgh No. 8 coal, via methanol, have been prepared. DOE's interest in the process is limited to an agreement calling for DOE to share in process royalties up to two times the

U.S. expenditures on the project. The basic technology is the property of Mobil R&D Corp. which has licensing agreements with other industrial cost sharing participants in the project. There is no requirement for DOE to pursue this technology further. The facility in Germany has been dismantled.

Question: What has been industry's response to this demonstration?

Answer: There has been a broad international interest on the part of industry as expressed in contacts with Mobil R&D. Such interest is to be expected because of successful operation of a commercial MTG plant in New Zealand. The New Zealand plant with a capacity of about 14,000 barrels/day of gasoline from methanol uses first generation (fixed bed) MTG technology. When energy economics favor the production of gasoline and diesel fuel from non-petroleum feedstocks, the fluid bed technology recently demonstrated in West Germany will be a serious candidate for wider commercialization.

Question: Under the Support Studies/Engineering program in Coal Liquefaction, I note that you requested funds to OMB to continue several research projects. Your justification indicates that all of these projects will be completed in FY 1986 and no funds are requested for them in FY 1987.

These projects include biomedical studies and liquefaction data base management.

Will these projects be brought to a logical conclusion or will we be wasting our research dollars and rushing to conclusion?

Answer: It is always possible to continue any activity and provide additional information, but by the end of FY 1986 our work on these projects will be effectively complete and the data developed will form a useful base from which future research can be developed. For example, we will have tested products of a variety of single stage, two-stage and coprocessing liquefaction process configurations for bioactivity and the available data will be very useful for further development.

Question: Upon completion, what are your plans with this data?

Answer: Data from completed projects are available in summary reports through the normal information channels (NTIS and TIC). Additional data will be contained in the Coal Liquefaction Information Management System (CLIMS) at the Pittsburgh Energy Technology Center (PETC) the lead field center in Fossil Energy for coal liquefaction technology.

Question: Did these plans change with the early completion?

Answer: The plans for data handling did not change. The funding for environmental R&D at the National Labs and extension of data base development at PETC were curtailed however.

Combustion Systems

Question: In FY 1986 you will complete the 160 MWe demonstration at the Tennessee Valley Authority yet you have not proposed any follow on activity in FY 1987.

How is that project progressing?

Answer: The 160 MWe TVA AFB demonstration project is in the detail design and construction phase. Ground breaking at the Paducah site in Kentucky was initiated in September 1985. The boiler steam drum is scheduled for delivery during FY 1986. Plant construction is scheduled for completion in 1989 to be followed by a 2-4 year testing period.

Question: Is there a reason why you didn't request funds to follow up this research?

Answer: Congress appropriated DOE $15 million in FY 1985 and $15 million in FY 1986 to support the 160 MWe TVA demonstration project. The Cooperative

Agreement between DOE and TVA only requires $30 million in funding participation from DOE for this project. Additionally, total project funding for the TVA demonstration of $215 million has been committed. Currently, DOE does not see any follow-on to this research, as operational testing won't be completed until the early 1990s. At that point, the 160 MWe demonstration will provide the private sector sufficient data for commercial utility applications without the need for further Government involvement.

Question: If you were going to do follow up work, what would you do and what funds would be required?

Answer: The Department does not believe any AFB utility follow up work will be required after the 160 MWe demonstration project in order for the private sector to commercialize the technology. The TVA test is, itself, at near-commercial scale.

Question: What is the status of the tube replacement effort at Georgetown University?

Answer: To minimize the possibility of erosion the convective tube bank has been modified to allow the hot gases to flow straight through the bank at reduced local velocities. To make up for the loss in heat transfer, a new economiser has been installed along with associated ash hopper and reinjection systems. Installation of the convective pass boiler tubes and repair of freeboard insulation was completed at the end of March 1986.

Start-up occurred in early April and continuous operations commenced on April 13, 1986. After 13 hours of operations, a lower in-bed tube ruptured at the elbow. The unit was shutdown and inspection revealed additional erosion on the in-bed tubes at the elbows. The in-bed tube elbows which are currently being replaced are not part of the earlier convective tube refurbishment which was done by Foster Wheeler using DOE funds. Georgetown University has contracted to Capitol Boiler Works to replace all the in-bed tube elbows. This work is currently in progress and is scheduled to be completed for start-up later this month.

Question: 1.2 million dollars was included in your request to OMB to complete Phase II of the AVCO Advanced Slagging Combustor Project as planned and scheduled in FY 1987. In your request to Congress, however, no funds are requested in FY 1987 and the project will be complete in FY 1986, obviously ahead of schedule.

What was eliminated from the plan you submitted to OMB?

Answer: The AVCO Retrofit Slagging Coal Combustor Project is scheduled to be completed by December 1986. By this time, AVCO will have completed a test program on a 25 MMBTU/hr. slagging combustor for performance characterization of combustion and emission. They will also have completed a market and economic analysis. Based on this data, TRW Advanced Slagging Coal Combustion System results, a DOE Slagging Combustor Assessment and other private sector activities at Rockwell and Coal Tech., DOE believes that a substantial data base will exist for industry to commercialize the technology. Therefore, no funds were requested in FY 1987 for efforts in the heavy industrial/utility sectors.

Fuel Cells

Question: Even though you are requesting no further development work, none of the key activities in FY 1986 indicates that any work will be completed in FY 1986.

Is DOE simply withdrawing its cost share, and research will continue with the funding previously provided by GRI and EPRI?

Answer: Key activities in FY 1986 which were completed include a final report on the 4.8 MW electric utility phosphoric acid fuel cell (PAFC) project and the completion of the 40 kW PAFC field test program. In FY 1988, PAFC development work will be completed with prior year funding on the existing IFC

11 MW electric utility project. In FY 1987, development work on the IFC 200 kW and Engelhard on-site contracts will be completed. With the possible exception of Westinghouse, which is currently in an overrun situation, the DOE is fully capable of meeting its contract cost share commitments with FY 1986 and prior year funds on all existing PAFC contracts.

Question: You requested 3.6 million dollars from OMB to complete testing of a 5 kW solid oxide fuel cell module and to continue development of a 25 to 200 kW generator in FY 1987. Your Congressional request, however, indicates that the same work will be completed in FY 1987 yet you have requested only 1.6 million dollars.

How has this been scaled back to accommodate the reduction?

Answer: Funding of $1.6 million in FY 1987 would permit the continuation of development of the tubular solid oxide concept at Westinghouse. Specifically, it would permit completion of a test of the 5 kW module fabricated in FY 1986 and continuation of design and development of the next unit in the scale up of this technology (a 25 to 200 kW generator). The level of effort would be necessarily scaled back to accommodate the reduced budget (compared to the $3.6 million requested of OMB), and unless increased funding from the private sector is realized the development period for the 25-200 kW unit is expected to be lengthened approximately one year.

Heat Engines

Question: Your request in FY 1987 for the Heat Engine program shows a decrease of 35 percent from the FY 1986 adjusted level ($12.3 million to $7.9 million). At this funding level, your justification indicates that systems testing of the Gas Turbine Program is targeted for the 1990-1992 time period and testing of the Diesel Program is planned for the 1992-1994 time period.

In reviewing your FY 1986 justification you had a similar schedule. Yet in your request to OMB you requested 17 million dollars in FY 1987 for this program and still maintained the same schedule.

What are the funding requirements to get this program to the testing phase?

Answer: The funding required to maintain the 1990-92 and 1992-94 testing schedule for the coal fired turbine and coal fired diesel projects is approximately $113 million (combined government and private sector share, assuming an average cost-share of 13%) through FY 1991. This includes funding from FY 1985 - FY 1991.

Question: Is this testing schedule not tied to funding levels or does the two year gap give you adequate flexibility?

Answer: The testing schedule is tied to funding levels. However, we have experienced unanticipated delays in the acquisition process for both the gas turbine and diesel programs which is reflected in the FY 1987 funding request. With respect to the gas turbine program, selection was recently made and contracts are currently being negotiated. There is a FY 1985 carryover of approximately $5.4 million and there could be some FY 1986 carryover. As a result, the contracts can be awarded and the ability to meet the 1990-92 test goal will depend upon outyear funding, cost-sharing, and technical success of the development efforts. For the diesel program, DOE estimates that several awards will be made in the fall of 1987 for the development and testing of components in a proof-of-concept test. The awards will be in various applications (i.e., utility, cogeneration, and transportation). Pending future funding levels and future contract activities, DOE believes that the 1992-94 schedule can be met.

Question: If so, what was the schedule for testing at the FY 1986 funding level?

Answer: As originally planned in FY 1986 the turbine tests would have been conducted in 1990-92 and the diesel tests would have been conducted in 1992-94. Although some delays have occurred in near-term milestones, we believe this schedule can still be maintained with the $7.9 million requested for FY 1987.

Question: Will this reduced level provide enough funds for the awards being made under the gas turbine program PRDA?

Answer: The FY 1987 request in combination with the FY 1986 appropriations and FY 1985 unobligated funds will provide adequate funding for the award of the four contracts currently being negotiated.

Question: In both the Diesel and Gas turbine projects, what would you have done if you would have received the additional 9 million dollars you requested of OMB?

Answer: The four gas turbine contracts (presently being negotiated), the three diesel system contracts awarded in FY 1985 and nearing completion, and supporting research (in-house, universities, national labs) would have been continued with no reduction in scope, or number of technical approaches/applications/contractors, and with no increase in industry cost-sharing. Also, the base technology support for both diesels and gas turbines would have been expanded. This expansion was viewed as optional, however.

Question: I know the report on the feasibility of coal-fired locomotives will not be released until the end of this month, but would you care to comment on its conclusions?

Answer: The assessment is currently in the review cycle and is scheduled to be available by late July. The report will show a comparison of coal-fueled locomotive systems with respect to conventional oil-fueled systems. The comparisons will be in terms of economic viability, environmental considerations, experimental risk, and developmental costs. In general, the report will indicate that coal-fueled systems are technically feasible and that their economic competitiveness is dependent on several variables including the future price of oil and the results of engine development efforts. Pending internal review, details of the report are not available at this time.

Underground Coal Gasification

Question: Since you have requested no new funds in Underground Coal Gasification in FY 1987, how do you plan to proceed with the CRIP test in Wyoming?

Answer: This test is being over 50 percent co-funded by an industrial consortium. The DOE funds for the test (which will take place late in FY 1987) are those that have been appropriated in prior years. While some program modification may be required, funds appear sufficient to conduct a viable test. Industry has also shown some willingness to share a larger portion of the burden of funding in selected areas. Underground Coal Gasification is also eligible for funding under the Cooperative R&D Ventures activity.

Question: In FY 1987 you will complete the technology base for the application of Underground Coal Gasification to subbituminous coals. This data base is designed to be sufficient to launch industrial process development. Funds being utilized for this project come from an appropriation made in FY 1985.

When the technology base is complete, is DOE planning a field test?

Answer: Whether a field test is pursued with DOE support will be determined through the Cooperative R&D Venture Pool program. Industry will have the opportunity to propose a subsequent field test, if they feel it is necessary, through the planned Cooperative R&D Venture Pool Program emphasizing extraction technologies (which includes UCG).

Question: If no why?

Answer: Given the maturity of the UCG technology, it is encumbent upon industry to determine the next step in the R&D cycle and assume a significant share of the effort. The Cooperative R&D Venture Pool program provides the mechanism to achieve this.

Question: If so, what preparations have been made that will not be followed through on or will all planned field testing be complete with FY 1985 funds?

Answer: It is believed that a viable field test in conjunction with an industrial consortium can be carried out that will address the bulk of the questions in regard to application of UCG to subbituminous coals. The project will serve as an excellent technology transfer medium and put in place a sound technology base from which cooperative ventures can be launched.

Question: I note that you have not requested funds in FY 1987 for Environmental Research. If Congress added funds to continue field testing of UCG on subbituminous coal in FY 1987, however, would funds also be necessary in Environment Research for support with respect to contamination mitigation mechanisms?

Answer: Acquifer contamination mitigation research is incorporated as an integral part of the field test. It is therefore assumed that any funding Congress may add for field testing would include funding for acquifer contamination research. It should be noted however that the Department believes that it is encumbent upon industry to determine the next step in the R&D cycle given the maturity of the UCG technology. Therefore, no funds were requested for this program in FY 1987.

Question: In Surface Coal Gasification I noticed that you requested 500 thousand dollars in FY 1987 from OMB to issue a PRDA to other universities to examine gasifier operating conditions in context of characteristics of selected high volatile coals.

In your Congressional request, however, you indicate that this activity will be performed in FY 1986 and no FY 1987 funds are requested.

Was this such a high priority that, after OMB turned down the request, you decided to fund it within available funds?

If so, were any projects cut back or stopped to come up with these available funds?

Answer: Subsequent to the request for FY 1987 funds to accomplish the objectives of this activity, it was decided to conduct further surveys on the informational technology data base that exists on coal gasification/coal conversion to determine the degree to which the desired data could be extracted from recent and earlier investigations. The existing data base has been found to be quite extensive with what currently appears to be data that can be used to correlate the desired inter-relationships. The evaluation work is in progress as part of an in-house activity and these alternate activities have had a minimal impact on other projects being pursued in the FY 1986 program.

Question: Also in Surface Coal Gasification, you requested 1 million dollars from OMB in FY 1987 to perform studies on the use of advanced gasifier concepts and their potential applications in the economic production, upgrading, and use of new fuel forms.

In your Congressional request, however, you indicate that 250 thousand dollars will be used in FY 1987 on a portion of these studies.

If this was such a high priority to the Department, why was the 1.9 million dollars added by Congress for such efforts deferred?

Answer: The inter-relationships between Advanced Gasifier Concepts and their potential in the production, upgrading and use of new fuel forms or coproduct liquids from the application of Coal Gasification Technology is indeed a high priority activity of the Department. The apparent difference in the Department's priority for this activity and its deferral actions can be resolved however by taking into account the actual rather than the projected schedules for the series of separate activities required to initiate and continue this research. The delays in achieving events as originally scheduled have resulted in a need for less funds in FY 1986 and FY 1987 than was originally projected.

Question: If the deferral is overturned, would your FY 1987 request provide adequate funding for this project?

Answer: The FY 1987 budget request was prepared independent of any projected impact associated with the deferral action If the deferral action is overturned considerably more funds will become available to this activity than anticipated or planned.

Question: If activities at the Waltz Mill gasifier were to continue in FY 1987, what kinds of testing could be done?

Answer: If research and development activities were to be continued at the Waltz Mill Fluidized-Bed Process Development Unit in FY 1987, the development efforts on advanced hot gas clean-up concepts would proceed, although a substantial data base has already been established on the operation of the Waltz Mill fluidized bed gasifier. The FY 1987 Surface Coal Gasification budget request sets forth a balanced research and development effort including the investigation of technology to advance the use of fluidized bed gasifiers integrated with new cleanup systems as new options for the utility and industrial sectors. However, if additional funds were appropriated by Congress, further testing could be conducted at the Waltz Mill gasifier facility. This testing would consist of further evaluation of in-bed sulfur capture using limestone and/or dolomite; external bed sulfur capture using zinc ferrite; and sintered metal particulate removal.

Question: How is the demonstration of the KILnGAS technology proceeding?

Answer: The first set of reliability tests have been completed (RAM 1) with some success. The unit is currently shut down and in a plant turn-around activity which will continue for approximately 2 months. Plans are being completed for the next phase of reliability testing (RAM 2). Engineering and cost estimates for system modifications and upgrading have been developed by KILnGAS staff and a modified list has been approved by the technical committee. Work is now proceeding on projects identified in the approved list. It is anticipated that the RAM 2 test series will be started in July/August 1986 and continue until late spring 1987.

The report presenting the results of the RAM 1 testing program is in a final draft state and will be available for those interested within the next few months.

Petroleum

Question: With the reduced request, will the Artic/offshore oil and gas research data base continue to be updated and maintained as the National Petroleum Council recommended?

Answer: The FY 1987 Budget Request provides for development of an energy related data base that will put in place an annotated bibliography, and establish a network framework that would enable users to tap a number of relevant data bases in both the private and public sectors (industry sponsored organizations, state and federal agencies.)

Question: If so, can you explain where the proposed reduction will come in FY 1987?

Answer: In FY 1987, the Arctic and Offshore Research subprogram will be limited to the development of an annotated bibliography, a key element of the Arctic and Offshore Research Information System. Efforts by national labs and industry, such as fundamental ice research, will be completed in FY 1986 and not continued in FY 1987.

Question: Obviously, major oil companies are reducing their research efforts in enhanced oil recovery (EOR).

With your EOR request for FY 1987 sixty percent below the FY 1986 enacted level, where do you anticipate the research being done to keep up the domestic production?

Answer: Funding for EOR consists not only of the EOR line items but also of EOR eligibility for the $12.5 million Cooperative R&D Ventures Pool. The need for continued advanced EOR process development and field testing to reach oil production security levels as urged by the NPC is supported by the FY 1987 budget proposal by providing direct EOR programmatic funds for technical base research plus the Cooperative R&D Venture Pool funds. These federally-supported programs should provide for qualified, industry-sponsored research that provides for field testing as well as process development research.

The reduced level of funds requested for direct FY 1987 Enhanced Oil Recovery research reflects both the need to reduce controllable expenditures and the objective of more deeply involving the knowledgable private sector in planning, prioritizing and directing required extractive fossil energy research through the Cooperative R&D Venture Pool. It is anticipated that the required process research and field testing of EOR concepts will be undertaken through both the direct EOR technical base program request of $4,484,000 in FY 1987 and the Venture Pool proposed in FY 1987 if industry determines a need for additional EOR research.

We are aware of the potential long-term importance of EOR to the domestic oil industry and we believe that the EOR budget proposal is appropriate given the budget deficits. The $4.5 million we have requested in the FY 1987 budget request will continue to support a balanced, effective Enhanced Oil Recovery technology base program.

We also expect that some of the universities now working in the EOR program will continue to do so under the Cooperative Venture Pool. Many of these universities have been engaged in joint projects with private industry. These universities could participate with private corporations, and even state and local governments, in an independent venture that could qualify under the Cooperative R&D Ventures Pool concept. Thus, we believe that the critical aspects of the EOR program will be preserved.

Question: Because of the mutual benefits of EOR research, you have a joint agreement with Venezuela and Mexico. In FY 1987, however, your budget indicates that this research will be completed.

What is the FY 1986 funding break down between Mexico, Venezuela, and the U.S. for this research?

Answer: Approximately $561,000 is budgeted in FY 1986 for cooperative enhanced oil recovery research activities and coordination, principally with Venezuela and Mexico. The projected dedication of these funds by separate task or as a proportion of a larger block of research is as follows:

	($ in thousands) U.S.	Foreign (est.)
U.S./Venezuela		
Annex I - Heavy Oil Characterization	75	25
Annex III - Reservoir Model Documentation	75	150
Annex IV - Steam Additives (part)	150	100
Annex XI - Post Extraction Subsidence	-	300
Planning and Coordination	36	26
U.S./Mexico		
Annex I - Reservoir Model Development	100	50
Annex III - Heavy Oil Characterization	50	50
Annex IV - High Pressure Fluid Thermodynamic	50	50
UNITAR - Intr. Heavy Oil/Tar Sand Information Center	25	25
	561	776

Question: If the U.S. pulls out, will do you anticipate Mexico and Venezuela continuing with this research?

Answer: Any decision on the part of either of these countries to halt or continue, in full or in part, the cooperative EOR research efforts upon the conclusion of further funding as proposed for FY 1987, will be made by the respective nation. In some cases, the skills of their respective researchers are lacking such that termination is likely. In other cases, successive tasks will simply take two or three years rather than one, for example (unless, of course, they can get aid from other nations with more advanced EOR technologists). And finally, certain ongoing and/or successive tasks may be continued through the Cooperative R&D Venture Pool beginning in FY 1987.

Question: When the decision was made to discontinue the joint venture, was consideration given to the financial situation of the Mexican government and the revenue potential EOR production has?

Answer: No decision was made to halt cooperative research with these or other countries. Rather, such critical research could successfully qualify for funds under the Cooperative R&D Venture Pool. Another possible funding option for these programs is through new shared efforts involving NIPER as the U.S. performer.

Questions Submitted by Senator Robert C. Byrd

Morgantown Energy Technology Center

Question: Mr. Bauer, the Fiscal Year 1986 Continuing Resolution contained $500,000 for design of a new administrative wing at the Morgantown Energy Technology Center. Those funds were subsequently deferred by the Administration. Both the full House and the Senate Appropriations Committee have completed action on a Supplemental Appropriations Bill which overturns this deferral. Congressional intent, therefore, is quite clear.

It is my hope that we will be passing that Supplemental and sending it to the President within the next two weeks. Given this situation, are you prepared to move ahead quickly with the design of this building once the funds are released?

Answer: The Department is prepared to move expeditiously if the deferral is overturned. We estimate that it will take one month to award a contract after the funds are made available to the Department.

Question: Approximately how long will it take to achieve a 35 percent design stage so that a realistic estimate of construction funding requirements can be developed?

Answer: It will take six months to achieve a 35% design point after the design contract is awarded.

Clean Coal Technology Development

Question: How many clean coal technology project proposals did the Department receive in response to the February request for proposals?

Answer: In response to the PON that was issued in February 1986, fifty-one proposals were received.

Question: What is the total dollar value of the 51 proposals submitted to the Department under the Clean Coal Program Opportunity Notice, and how much of this does industry indicate a willingness to cost share?

Answer: In order to fully protect the integrity of the process by which we evaluate and select proposals, based upon full and open competition, no information provided on proposals is disclosed prior to selection. DOE has made one exception to this approach, after having notified the proposers in advance, by publishing the full set of public abstracts provided by the proposers.

Question: How many of the 51 proposals received in April were among the 171 responses submitted last year?

Answer: Based on the information provided in the public abstracts, it appears that approximately 45 respondents to last year's request for informational proposals and expressions of interest are also involved in proposals submitted in response to the Clean Coal Technology PON.

Question: How do you account for the fact that at least 120 of the people who responded last year did not reply to the Program Opportunity Notice this year?

Answer: Some of the responses to last year's request for informational proposals and expressions of interest, did not constitute proposals. In addition, many proposals did not include a 50 percent cost share. Only 35 of the responses submitted last year constituted proposals containing 50 percent cost share.

Question: How many of the 51 project proposers have since been told that their proposal does not conform to the requirements of the PON?

Answer: Of the 51 responses to the Clean Coal Technology PON, twelve offerors have been notified that their proposals did not pass preliminary evaluation.

Question: Is this an unusual number?

Answer: Because every solicitation is unique, it is not possible to say whether or not this number is unusual.

Question: What are some of the reasons for these disqualification?

Answer: Proposals that failed to meet one or more of the preliminary evaluation criteria listed in Section V of the PON were, in accordance with the requirements of the PON, precluded from preceeding to Comprehensive Evaluation.

Question: Can you tell us the type of projects disqualified?

Answer: We are not able to disclose the type of projects disqualified because that information, when combined with information in the public abstracts, could serve to identify one or more the disqualified offerors. The disqualified offerors were notified by Certified Mail on May 16, and are entitled to a debriefing after selection.

Question: Is there any type of application or technology which is not well represented among the 39 remaining project proposals?

Answer: As previously indicated, we are concerned about maintaining the confidentiality of the offerors who did not pass Preliminary Evaluation, and, therefore, have provided information based on the abstracts of the 51 proposals initially submitted. Based on that information, it appears that some technologies are not represented. For example, the public abstracts did not indicate commercial interest in MHD or direct coal-fired turbines.

Question: For example, are retrofit applications underrepresented, perhaps, considering the number of proposals submitted and the widespread potential for repowering existing facilities with cleaner, more efficient technology, where necessary?

Answer: Based on information contained in the public abstracts, we have conducted an analysis of the number of proposals versus type of technology (see Attachment 1) and of the number of proposals versus application (see Attachment 2). From Attachment 2, it can be seen that retrofit applications are represented.

Attachment 1

CLEAN COAL TECHNOLOGY DEVELOPMENT STATISTICS BY TECHNOLOGY CATEGORY

Technology Category	Number of Proposals
Surface Coal Gasification	9
Post-Combustion Cleanup	5
Coal Preparation	9
Industrial Processes	3
Underground Coal Gasification	1
Advanced Combustion	4
Coal Liquefaction	3
Atmospheric Fluidized Bed Combustion	7
Pressurized Fluidized Bed Combustion	2
Fuel Cells	2
Not Identified	6
TOTAL	51

Attachment 2

CLEAN COAL TECHNOLOGY DEVELOPMENT
STATISTICS BY USER APPLICATION

User Application	Number of Proposals
Electric Utility (New)	4
Electric Utility (Retrofit)	12
Fuel Processing/Formation	15
Flue Gas Cleanup Retrofit	4
Iron and Steel	2
Other Industrial/Steam	8
Other	1
Not Identified	5
TOTAL	51

Question: Do we have in this current solicitation every potential clean coal demonstration project out there, and if we don't, will you tell us why we don't?

Answer: The PON was open to all clean coal technologies and all applications. We hesitate to speculate on what we don't have and why.

Question: The President, in receiving the Report of the Special Envoys on Acid Rain, has given his pledge to commit the resources of the United States to the rapid development of new clean coal technologies, and has cited this program as a major part of that commitment and endorsed a $5 billion, 5-year cost-shared program with industry and Federal Government each contributing one-half.

Can you provide this Committee with information about the Administration's plans to implement this program?

Answer: There are a number of ongoing and planned activities in both government and industry which we believe can lead to the fashioning of appropriate mechanisms for implementing the Special Envoys' Report. We will rely heavily upon the information developed as part of these programs. The Clean Coal Technology Program (CCTP), of at least $800 million, currently being conducted by DOE as directed by Congress is one of those key activities. Others include EPA's solicitation for another Limestone Injection Multistage Burner (LIMB) demonstration project; the clean coal demonstration program being solicited by the State of Ohio, involving $100 million of state funds plus industry cost-sharing; a multi-faceted clean coal effort by the State of Illinois, and numerous industry-sponsored projects. The Administration is encouraging other states to undertake similar efforts.

The information from these already ongoing programs will be an important factor in determining the most appropriate and cost-effective next steps in implementing the President's initiative.

Question: Does the Administration intend to request additional funds to implement this U.S.-Canadian agreement?

Answer: Once we have the information from these ongoing activities we will be able to determine the most appropriate and cost-effective next steps.

Question: Would the expenditure of the remaining $350 million authorized for clean coal be prudent in view of the U.S.-Canadian agreement?

Answer: As previously discussed, given the large set of activities currently underway, we believe that the information which will be forthcoming from these activities should be carefully analyzed to determine the most appropriate and cost-effective next steps.

Question: Now, Congress has directed that you award the full $400 million this year, less a six-tenths of one percent general reduction and a $25 million overrun reserve.

What happens if one of the winners drops out during the subsequent negotiations in the fall?

Answer: We plan to award the full amount of funds available.

Question: Will you award the remaining funds to the next highest priority project on the selection list?

Answer: If a project(s) selected drops out for any reason, then I will apply the evaluation criteria and program policy factors to the remaining proposals to select an additional project or projects.

Queston: Is there anything else that could be done to encourage the rapid development of these technologies?

Answer: We believe the Clean Coal Technology Program is an important and appropriate first step. We believe no additional steps should be taken until the results of the Program are known.

Question: The industry has been indicating an interest in the $400 million 50-50 cost-shared clean coal program for quite some time. We need to know any reasons why industry may not wish to participate in this type of program so that we can ensure the timely demonstration and eventual commercialization of these projects. Industry has not been silent. What about the cost-sharing provisions?

Answer: It would be pure speculation on the part of DOE to try to offer any views on the reasons why organizations that did not propose chose not to propose. The cost-sharing provisions of the PON did not appear to have had an adverse effect on industry's decisions on whether or not to propose under the program.

Question: What about the lengthy requirements for environmental and market information to be included in the proposals? What about regulatory uncertainty?

Answer: In response to the draft PON, comments were received that expressed concern about the amount of environmental and market information requested and regulatory uncertainty. DOE attempted to respond to these concerns in the final PON.

Question: How many different technologies were represented among the responses to the PON?

Answer: Based on information provided in the public abstracts, we have conducted an analysis of the number of proposals versus type of technology, as follows:

CLEAN COAL TECHNOLOGY DEVELOPMENT
STATISTICS BY TECHNOLOGY CATEGORY

Technology Category	Number of Proposals
Surface Coal Gasification	9
Post-Combustion Cleanup	5
Coal Preparation	9
Industrial Processes	3
Underground Coal Gasification	1
Advanced Combustion	4
Coal Liquefaction	3
Atmospheric Fluidized Bed Combustion	7
Pressurized Fluidized Bed Combustion	2
Fuel Cells	2
Not Identified	6
TOTAL	51

Question: Was every known or anticipated emerging clean coal technology represented among the proposals which have been submitted?

Answer: It appears that some technologies are not represented. For example, the public abstracts did not indicate commercial interest in MHD or direct coal-fired turbines.

Question: How many of these proposed technologies are retrofit technologies?

Answer: In general, most technologies can be used in new or retrofit applications. The actual choice of technology in any given case would depend on the specific project objectives and applications, including site related factors, regulatory, environmental and source of fuel. Therefore, any attempt to categorize the technologies as "new" or "retrofit" would not, in our opinion, be meaningful.

Question: How many of the project proposals the Department recieved were for the demonstration of retrofit technologies?

Answer: Based on the public abstracts, it appears that at least one-third of the proposals are for direct retrofit applications. In addition, some of the fuel processing/formation technologies could be utilized to retrofit existing plants. The statistics follow.

CLEAN COAL TECHNOLOGY DEVELOPMENT
STATISTICS BY USER APPLICATION

User Application	Number of Proposals
Electric Utility (New)	4
Electric Utility (Retrofit)	12
Fuel Processing/Formation	15
Flue Gas Cleanup Retrofit	4
Iron and Steel	2
Other Industrial/Steam	8
Other	1
Not Identified	5
TOTAL	51

Question: How does the Department plan to encourage the widespread use of successfully demonstrated new clean coal technologies?

Answer: Consistent with Congressional guidance, the Department developed the evaluation criteria that provide for the selection of the projects that can be successfully demonstrated and would have a high potential for commercialization in the 1990's.

Question: Have you looked at the regulatory environment to assess its impact on the use of newly demonstrated clean coal technologies?

Answer: Information on the regulatory environment was requested in the PON. The PON requires that the offerors provide information on environmental and non-environmental regulatory aspects that may affect commercialization.

Question: What financial and/or other incentives might be called for to encourage the widespread use of these new technologies?

Answer: It is too early to speculate on whether any additional incentives might be called for to encourage the widespread use of these new technologies.

Question: Do you see a negative impact stemming from the abolition of the investment tax credit and research and development credits, assuming that the tax bill passes in that form?

Answer: Since the tax bill that actually comes out of the Congress may differ from the House Bill or the Senate Bill, it is difficult to speculate at this time.

Question: What do you believe should be done to offset any loss of momentum caused by the tax bill?

Answer: As previously stated, the final tax legislation that is passed by the Congress may differ from the House Bill or the Senate Bill, it is difficult to speculate at this time.

Question: What other methods has the Department considered to ensure the rapid availability and widespread use of environmentally safe and cost-effective clean coal technologies?

Answer: The Department conducts a strong technology base R&D program that supports a broad range of environmentally safe and potentially cost-effective coal-based technologies, through proof-of-concept.

Great Plains

Question: The President's budget assumes the sale of the Great Plains Coal Gasification project in Beulah, North Dakota. The Committee is well aware of the Secretary's preference not to operate synfuel GOCO facilities, however, in view of the substantial reduction in petroleum and gas prices over the past few months, would the sale of this facility at the end of this month bring as much money as it would have, say, two years ago if it had been completed and sold at that time?

Answer: In July 1984, the Department did not have the option to consider sale of the plant, since the Great Plains Gasification Associates (GPGA) owned the plant, and were still actively pursuing the project. GPGA retained title and management responsibilities for the project at that time. Forecasts for long-term energy prices in July 1984 were considerable higher than forecasts that prevail today, which would imply that a higher sales price would have been obtained had GPGA elected to sell the plant at that time. The value of the plant is dependent on a number of factors. The more important factors include long-term energy prices, tax benefits to the owners, and plant performance.

Question: Excluding debt service, is the plant meeting all of its operating costs?

Answer: Revenues from the sale of SNG and by-products from the plant are meeting all of the operating costs, as well as the costs of capital projects.

Question: What is the projected annual net revenue for this facility in FY 1986?

Answer: Projected annual net revenue for this facility in FY 1986 (October 1985 - September 1986) is $47.4 million.

Question: If the facility is presently not a drain on the Federal treasury, and if it is likely that a higher price would be received a year or two from now, does it make sense to consider disposing of the Great Plains Coal Gasification facility at this time?

Answer: At this time the Department is exploring every option for the sale of the plant. The date of sale will depend on the method of sale which ultimately shows the greatest promise of return to the government. The price received for the sale of the plant will be dependent on a number of external factors. Two of the more important factors are the long-term forecast of energy (natural gas) prices and tax legislation (production tax credits) currently before the the Congress. Other issues which have an impact on the realizable price obtainable for the plant include continued litigation of the Gas Purchase Agreements, mitigation of environmental problems related to odor and sulfur emissions, and plant performance. The Department is actively involved in resolution of these three issues to enhance the value of the plant.

Question: Does the Department have a minimum acceptable bid in mind at the present time and, if so, how was that figure determined?

Answer: The Department of Energy's claim is approximately $1.5 billion. Any bid over that amount would be sufficient to take all the assets of the Great Plains Gasification Associates.

Heat Engines

Question: The Department's April 24, 1986 press release indicated that four contractors had been selected for the coal burning turbine program. Would you elaborate on the promise which this program holds for increased coal use in an environmentally-acceptable manner?

Answer: The four contracts are for cogeneration (Solar), transportation (GE & GM), and utility (Westinghouse) applications. The cogeneration and transportation markets currently are dominated by oil and natural gas. METC and contractor system studies have shown low cost coal fuel forms can compete competitively in these markets. It has been estimated that more than one quad of oil could be displaced in the transportation market (locomotive and maritime), and that up to three quads of oil could be potentially displaced by a coal-fueled gas turbine. The four contracts which are in the process of being negotiated have tasks that specifically address the environmental issue with the objective of minimizing emissions. It is anticipated that a coal-fueled gas turbine will be environmentally sound.

Question: The press release indicates that a multiyear cost-shared program totaling as much as $75 million was contemplated with the signing of these four awards. Would you indicate for the record how this money would be obligated by year and what levels of cost sharing are anticipated in each year?

Answer: The $75 million includes contractor cost sharing. The table below gives the DOE funding for the contracts (including carry-over monies from FY 1985).

	FY85	FY86	FY87	FY88	FY89	FY90	FY91	Total
DOE Cost	5.4M	7.4M	5.5M	15.5M	14.6M	11.9M	4.5M	64.8M

The anticipated average cost share is approximately 13% which would result in a total program cost of $75 million. However, individual contracts may provide up to 25% cost sharing.

Eastern Devonian Gas Shales

Question: The Department is currently preparing an offset test well experiment on devonian gas shales. As this experiment represents one single data point in addition to a number of "wells of opportunity", would there be substantial benefits in the conduct of a second offset well experiment?

Answer: Current field activities to acquire reservoir properties in wells of opportunity are being conducted in areas of limited production but where geological/geochemical parameters indicate a favorable gas potential. These properties (gas flow and permeability data) are essential to predictive forecasts of production performance from stimulated wells in the Rhinestreet/Marcellus formations within the Devonian shale sequence. An offset well test (3 closely spaced wells) in the Rhinestreet is planned to quantify, through extensive well testing, the productive interval within the formation, the orientation of flow paths (natural fractures) and the area that can be expected to be drained from a producing well. The "wells of opportunity" tests in conjunction with the identified offset well test should be sufficient to quantify potential new reserves for this deeper horizon which to date has largely been ignored because data are lacking. The first offset well test was performed in the shallower Huron formation.

Question: Phase I of the recovery efficiency test for Eastern Devonian shales was initiated in September of 1985, is there adequate funding in the budget to complete the Phase II testing and, if not, how much is required for this effort in the 1987 budget?

Answer: No funds have been requested in the FY 1987 budget for completion of Phase II of the maximum recovery efficiency test. Whether Phase II is pursued with DOE support will be determined through the Cooperative R&D Venture Pool program. Industry will have the opportunity to submit Cooperative Venture proposals if they deem this follow-on effort to be worthwhile. In this manner, industry would structure the test, and assume a share in the project commensurate with the advanced stage in the R&D cycle. Approximately $400,000 would be needed to complete Phase II of the project.

SUBCOMMITTEE RECESS

Senator McCLURE. That will conclude our hearing today. The subcommittee will stand in recess until 2 p.m., Thursday, June 5, 1986, when we will review the fiscal year 1987 budget requests of the Institute of Museum Services and the National Endowment for the Arts.

Thank you very much.

[Whereupon at 3:30 p.m. Tuesday, June 3, the subcommittee was recessed, to reconvene at 2 p.m., Thursday, June 5.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

THURSDAY, JUNE 5, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:55 p.m., in room SD-138, Dirksen Senate Office Building, Hon. James McClure (chairman) presiding.

Present: Senator McClure.

INSTITUTE OF MUSEUM SERVICES

STATEMENT OF LOIS BURKE SHEPARD, DIRECTOR

PREPARED STATEMENT

Senator McCLURE. The committee will come to order.

This is the time scheduled to review the fiscal year 1987 budget estimates for the Institute of Museum Services [IMS] and the National Endowment for the Arts [NEA].

We will begin with the IMS.

The fiscal year 1987 budget request for the Institute of Museum Services totals $330,000, a decrease of $21,064,000 below fiscal year 1986 appropriations to date. Of the amount provided for the current year, $920,000 is sequestered.

Mrs. Shepard, we welcome you before the subcommittee in your new role as Director of the Institute. Your complete opening statement will be included in the record at this point.

If there are others who will testify with you, will you introduce them at this point.

Mrs. SHEPARD. No.

[The statement follows:]

Statement of Lois Burke Shepard

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you today to present the Administration's request for fiscal year 1987 for the Institute of Museum Services. IMS, in accordance with the President's budget, requests funds for FY 1987 only as required to terminate the agency in an orderly fashion.

As you may be aware, I have been the Director of IMS only a very short time. It has, however, been long enough to learn the impact that IMS has had on the museum community in its 10 years of existence. IMS is proud of the contribution it has made to museums, both monetarily and in helping them raise the consciousness of the public to the basic needs of museums.

Over the past 10 years IMS has provided 83.5 million dollars in general operating support. In the past 2 years IMS has provided over 6 million dollars in Conservation funds. As you have heard from several distinguished members of the museum community, general operating funds are particularly welcome because they allow museums the freedom to raise other more easily-attained "glamorous" funds used for exhibits and special projects.

During these last 10 years, many museums have taken giant steps in better administrative policies as well as private fund raising activities. That is to be commended and encouraged. The preservation of our nation's heritage and its presentation to the public is important to all Americans. It is in their interest to help fund what we show to ourselves, our foreign visitors, and of course, our children.

IMS has also, along with providing funds, been active in encouraging excellence in museum administration and practices. Indeed that has been the main criterion of our grants. IMS was created by Congress to support the efforts of museums to preserve the Nation's historical, scientific, and cultural heritage; to maintain and expand their educational role; and to meet the financial pressures resulting from rising operating costs and increased public demand for museum programs and services.

Funds have been provided to all types of museums including art, history, natural history, science and technology, zoos, planetariums, historic houses, botanical gardens, science centers, aquariums, and nature centers. The grant process is a competitive one which encourages excellence by virtue of the process itself as well as by the enhanced prestige of those museums who compete successfully.

As Dr. Peter Raven, Chairman of the Board of IMS has pointed out, from 1978 to present the Institute has generally provided operating support in any one year for approximately 10% of America's 5,000 museums. We do not claim that in 10 years that adds up to 100% because many museums have received grants for several years. It does, however, mean, that the percentage of museums that have received some form of federal funding from IMS is very high. Thus, it has called attention over the years to the operating needs of museums and has bought them time to fill those needs through private sector involvement.

An investment of over 90 million dollars in the museums of this country is a substantial one and not adding further funds is certainly not a reflection on the worth of that investment nor a rejection of the museum community. It is a recognition of the hard reality of the Federal deficit, and the fact that American taxpayers are particularly conscious of their tax money and know that federal priorities must be set.

During this income tax period, American taxpayers are more aware than ever that their elected legislators must make some very hard choices. Not all federal programs can be continued if we are to make serious inroads on the deficit.

It was never the objective of Congress or IMS to have museums across this country become dependent upon the federal taxpayer's money. The idea was and still is to help them help themselves. We have clear evidence that the 90 million dollars spent has done just that.

This initial boost from the federal government as well as the dramatic decrease in inflation has put many museums throughout the country in a more secure financial situation. IMS has been told time and again that the grants received have served as a type of seal of approval, allowing them to attract a greater proportion of private funding. But as any such mark of excellence, it does not have to be repeated year after year. The point has been made. As Congressman Lindsay Thomas of Georgia said in a letter to IMS in referring to a request for funds for a museum, "The excellence of this museum has already been recognized by IMS through the award of a similar grant last year."

The request before you today is a reflection of the reality of a reduced federal role in many programs. These deficit reduction decisions underscore the fact that the "nice-to-haves" in budget making are not always possible when balanced against the reality of the funds available. The administration must weigh all of the priorities of this nation in making its recommendations while I have but one tiny part to serve. It is with this knowledge that I submit to you the budget request for 1987.

BIOGRAPHY OF LOIS BURKE SHEPARD

Appointed by President Reagan and confirmed by the U.S. Senate as Director of the Institute of Museum Services (IMS), Lois Burke Shepard has responsibility for ensuring that the agency encourages and assists all types of museums in their educational role by helping them modernize their methods and facilities. Mrs. Shepard directs the agency's three grant programs; General Operating Support (GOS), Conservation Project Support (CP), and the Museum Assessment Program (MAP) so that museums will be better able to preserve the nation's cultural, historic, and scientific heritage. Mrs. Shepard works closely with the National Museum Services Board (NMSB), the governing arm of IMS whose 15 members are Presidentially appointed, to determine the policies and programs of the agency.

Prior to her appointment, Mrs. Shepard served as Chairman of Republicans Abroad International (1980-85) and as Director of Americans Abroad for Reagan-Bush '84. She began Republicans Abroad with a nucleus of twelve countries in 1981 and widened the organization to include 64 country chapters. As coordinator and supervisor of four regional chairmen and 64 country chairmen, she not only represented the interests of Americans living abroad to the Republican National Committee, Congress, the White House, and the Department of State, but effectively implemented and directed Republican vote-getting activities among five million overseas Americans.

Elected as Chairman of Republicans Abroad in 1981, Mrs. Shepard successfully lobbied for legislative changes in absentee voting laws in over 25 states and for equitable tax treatment for overseas citizens. She established the Republican Party's first overseas military registration program and speaker program, bringing together high level officials and their constituencies abroad. As a successful fundraiser, she organized major fundraising events worldwide and created the International Eagles Program to benefit the Republican National Committee and Republicans Abroad.

Skilled in diplomacy, Mrs. Shepard represented the Republican National Committee at the Conservative Party's Conferences of 1981 and 1983 in Great Britain. Appointed by the Secretary of State, she served on the Department of State's Overseas Schools Advisory Committee. In 1982 she was the first representative for overseas Americans at the White House Conference on Aging. Mrs. Shepard actively participated in several aspects of the Caribbean Basin Initiative and chaired the Caribbean Basin Evening for the President.

Mrs. Shepard has also served as Co-Chairman of Republicans Abroad Greece and was elected as alternate delegate representing Europe/Africa to the 1980 Republican National Convention as well as heading the overseas delegation to the 1984 Convention. A graduate of Vassar College, she has studied Greek, Hungarian, and French at the Foreign Service Institute and German at the University of Vienna. She was an educator prior to entering Republican politics and taught English Literature, American and European History and Drama in several cities throughout the world. She was also the first Dean of Women at the Harker Preparatory School in Potomac, Maryland.

Mrs. Shepard is married to William Seth Shepard, a retired diplomat and Republican candidate for Maryland's Eighth Congressional District seat. They reside in Potomac, Maryland with their two daughters, Stephanie, 23, and Robin, 22.

CONTINUATION OF THE INSTITUTE OF MUSUEM SERVICES

Senator McClure. You are the third IMS Director to appear before the subcommittee to defend a budget request which seeks to terminate the Institute.

While I share the administration's commitment to deficit reduction, I believe the Congress has had ample opportunity to review the case made for terminating IMS, and has consistently rejected such a proposal.

We are left in the position of conducting hearings and making budget decisions without the benefit of input from the administration as to the best use of funds that will again, no doubt, be made available to carry out the responsibilities of IMS.

If we fund the Institute for fiscal year 1987, will you seek to reverse administration policy so we would be provided with an actual budget request next year, rather than another closeout request?

Mrs. Shepard. Senator, I think I would like to preface my answer to that by pointing out in my official remarks I have stated that I fully agree with you that IMS has done very, very fine work with the money that it has had and has administered over the past decade.

I also point out in those remarks that the administration, I believe, makes this judgment because of the deficit.

I have only been in this position a bit over 2 months, but you certainly have my assurance that with a little more experience and a little more time on the job, I will certainly make my views known to the administration.

Senator McClure. As I tried to indicate, it is frustrating to us because, yes, I understand that there are those within the administration who wish to terminate these activities, and they have made that suggestion before and Congress has refused to accept that position. The result is we don't have the administration's suggestion of what the budget ought to be in any realistic terms to which we can react.

And I would hope that even if the OMB directs you next year to say we want to close it out, they would at least give you the opportunity to say, however, if you do not, here's the way we ought to have the program and how it ought to be administered. Because you become nonplayers. If past history indicates anything—and I don't mean this personally, you won't be here next year at this time. So, I may be talking to somebody else.

CONSERVATION PROGRAM

The American Association of Museums [AAM] recently reported that the National Endowment for the Humanities [NEH] is dropping the conservation funding category as the Endowment decided that it makes more sense for museums to apply to IMS for needed conservation support.

Were you involved in any discussions with the Endowment with respect to this decision?

Mrs. SHEPARD. Well, first of all, Senator, this was done prior to my being there. And I do understand that there was informal discussion along those lines.

I think that it is important to realize that the National Endowment for the Humanities is not dropping their conservation funding per se, but they have redirected their program so that they are funding things that only have to do with displays.

At the moment we, IMS, is taking the lead in conducting a study that will determine exactly what agencies are giving what to museums. I have been working closely with Frank Hodsoll at NEA, with John Agresto at NEH, and now Lynne Cheney and we are having discussions to make sure that there is no overlap and that there is no need that is not being filled at the moment.

Senator McCLURE. The Institute provides conservation grants to assist museums in identifying conservation needs; monitor or improve environmental conditions; for actual conservation of projects; for conservation research; and for conservation training.

For which of these areas were most applications received?

Mrs. SHEPARD. In the past 2 years—and that is the only timeframe where the type of project has been recorded—most applications have been received for treatment of objects.

But, I would like to point out that we are looking at that very carefully because we are finding that administratively to conduct a Conservation Program that is directed toward project-type needs is not something that we are geared up to do. And it is part of our cooperative study with NEH and NEA to direct our part of the conservation funds to more institutionwide programs, rather than project-oriented programs.

Senator McCLURE. Would you please provide for the record a list of conservation grants by function for each fiscal year since the inception of the program?

Senator McCLURE. Yes, we will.

[The information follows:]

The requested list of conservation grants follows, with the exception of fiscal year 1984, the first year of the Conservation Program. In fiscal year 1984, the application and project data were collected in a format which could not be compiled into a project list.

INSTITUTE OF MUSEUM SERVICES 1986 CONSERVATION PROJECT TYPES OF MATERIALS/PROJECT CATEGORIES

ALL APPLICATIONS SUBMITTED

Types of materials	Number of applications		Project category (1986)				
	1985 (Fnd v all)	1986 (all)	1	2	3	4	5
Aeronautics, space/planes	1/1	1	0	0	0	1	0
Animal, live	21/38	36	4	3	22	1	8
Animal, preserved	11/18	18	5	0	0	4	9
Anthropological, ethnographic	21/38	28	10	1	0	9	8
Archaeological	5/13	10	4	0	0	4	2
Books	6/12	12	1	1	0	6	4
Ceramics, glass	3/9	13	4	0	0	5	4
Documents, manuscripts, maps	14/37	24	8	0	1	10	5
Film (not photographs)	0/3	1	0	0	0	1	0
Furniture	10/15	18	7	0	0	9	2
Geological, mineral, paleontological	3/4	8	1	0	1	2	4
Historic buildings	7/16	16	6	1	1	4	4
Historic sites	3/3	2	1	0	0	1	0
Horological	0/0	1	0	0	0	1	0
Landscape features, constructed	0/4	2	1	0	0	1	0
Machinery	5/10	3	0	0	0	2	1
Maritime, historic ships	3/4	1	1	0	0	0	0
Medical, dental, health, pharmacological	0/2	2	1	0	1	0	0
Medals	0/0	0					
Military, include weapons	0/1	2	2	0	0	0	0
Money and numismatics	1/1	1	0	0	0	0	1
Musical instruments	0/2	4	0	0	0	3	1
Paintings	47/77	78	11	4	1	55	7
Philatelical	0/0	0					
Photography, negatives	8/13	12	1	0	0	8	3
Photography, prints	0/3	12	1	0	1	8	2
Physical science objects	0/0	0					
Plants, live	20/30	26	9	0	3	8	6
Plants, preserved	0/1	6	0	0	1	4	1
Sculpture, indoor	3/9	4	1	0	0	1	2
Sculpture, outdoor	2/5	3	1	0	0	2	0
Textiles and costumes	27/48	26	5	0	0	13	8
Tools	0/1	2	1	0	0	0	1
Toys and dolls	1/2	1	0	0	0	1	0
Transportation, exclude airplanes	6/16	9	1	0	0	6	2
Works of art on paper	28/40	43	5	1	0	31	6
1986 totals		427	92	11	32	201	91
1985 totals	256/476		77	16	25	255	103

KEY TO PROJECT CATEGORIES

1 Survey of collections and environmental conditions (living or nonliving).
2 Training in conservation.
3 Research in conservation.
4 Treatment of collections (living or nonliving).
5 Provision of optimum environmental conditions for collections (living or nonliving).

AAM CONSERVATION SURVEY

Senator McCLURE. Last June the American Association of Museums submitted to IMS its study on collections management, maintenance, and conservation.

According to the report, the museums identify actual conservation work as their first priority for the next 10 years, yet, at the same time identify only 5 percent of their collections as in serious need of conservation treatment, while the status of 40 percent of the collections is unknown.

Do you agree with the funding priorities established through the survey instrument in making treatment the first priority?

Mrs. SHEPARD. Again, Senator, I think that it is important to realize the questions that were actually asked in that survey.

It did not make a distinction between those institutions which had already surveyed their collection, or developed a long-range conservation plan, or provided proper environmental conditions, trained its staff and so forth. For those institutions who have already accomplished what we consider to be the preliminaries, of course they are going to go on and want project-type conservation grants.

We feel, and the Board—the IMS Board has a very deep concern that project-type grants really have to be undertaken with much more of a staff than we have. When I came in and looked at this administratively, it turns out that our small staff and our whole agency consists of 15 people. We are taking two-thirds of their time to give away less than one-third of our money because of the project orientation of these grants, rather than institutionwide.

Senator MCCLURE. My question was not really directed so much as to your internal working and the efficiency of your work, but a question of what is their priority?

And they have identified this as their first priority.

Do you agree that it ought to be their first priority?

Mrs. SHEPARD. I don't agree that they have identified it as their first priority in the questions that were asked.

They were not given any opportunity to comment on whether or not they had already accomplished these other goals, whether they had a survey.

We have found that 70 percent of the institutions have no full conservation survey to indicate to them what the priorities are, or within that, as to what needs to be done first.

Senator MCCLURE. Have you communicated that feeling to the American Association of Museums?

Mrs. SHEPARD. I have, indeed. And I have talked to many of the experts in conservation, and have had excellent response.

They are looking for some guidance in the way that they can approach this on a more professional level. And they are working with us in setting some guidelines.

Senator MCCLURE. Has the Institute made any changes in the Conservation Grant Program as a result of the collections management study?

Mrs. SHEPARD. We anticipate that some changes will be made as the result of our interagency study and the result of that study. We have not yet.

Senator MCCLURE. You have not made any determination as yet?

Mrs. SHEPARD. No.

INCOMPLETE APPLICATION CRITERIA

Senator McCLURE. Concern was expressed by the House last year on the handling of incomplete applications by IMS.

It has been the Institute's policy to reject incomplete applications. The House directed the Institute to communicate with the applicants and provide 72 hours for receipt of the missing information. In conference, the managers directed that the application packet be clarified with respect to the financial information the applicants are required to submit.

Have changes been made to the application packet? And, what is your current policy with respect to applictions which are incomplete?

Mrs. SHEPARD. The one substantial change in the guidelines was to the letter prefacing the application instructions, which in 1986 contained basic grant-writing tips for applicants and such suggestions as; complete the financial statement forms first and start them immediately. Be certain to give them to the person responsible for this portion of the application. Give them enough time, and make sure that he or she has all the information available, and understands all the instructions.

A decision was made at our Board meeting in February—again, that was just prior to my confirmation—that applicants with incomplete applications would be allowed to submit the materials required and that the applications as they were completed would be sent to review.

Members of the 1986 general operating support peer review panel at its meeting on April 10 and 11, 1986, were asked to address this issue of incomplete applications and whether those applications which were later completed and sent to review, received an equitable review.

I was there at that meeting when they discussed that. They had very, very strong objections to the decision of the Board to allow the incomplete applications to be completed and reviewed, because they felt that it was really penalizing the 97 percent of the institutions that get their applications in on time, and giving favoritism to the 3 percent who don't.

We took that into account, brought it up at the last Board meeting which I chaired. And the Board continued to feel that we should accept these applications. I think the greatest fear on the part of the panel members was that once the floodgates were opened, if people learned that we would accept applications late, we would have a tremendous flood of them. And, they also felt that those institutions that had gotten it in on time didn't have that extra week to fine tune, perhaps, something they would have preferred to have put in.

Senator McCLURE. If I understand correctly, the change that has been made in the application packet is in the letter?

Mrs. SHEPARD. Yes.

Senator McCLURE. And that is the only change that has been made?

Mrs. SHEPARD. Yes; that's correct. Except for the Board decision that allows those applications to be accepted.

Senator McCLURE. Have you seen any difference, or has there been time to see——

Mrs. SHEPARD. Oh, yes. There has been a drop in the number of late applications because we have emphasized it so heavily. And we hope that continues.

Senator McCLURE. How about incomplete applications?

Mrs. SHEPARD. And incomplete applications.

Senator McCLURE. Can you provide us a comparison between this year and last year on incomplete applications?

Mrs. SHEPARD. Yes, of course.

[The information follows:]

NUMBER INCOMPLETE APPLICATIONS

	Fiscal year —	
	1985	1986
General operating support	50	6
Conservation program	6	2

NATIONAL MUSEUM SERVICES BOARD MEMBERSHIP

Senator McCLURE. The 1985 amendments to the Museum Services Act limits Board membership to a maximum of three persons from the same State. The last list of Board members we have, indicates that six Board members were from California.

Is the current composition of the Board in conformity with the law?

Mrs. SHEPARD. The current composition of the Board has existing on it four members from California. But those have been, and are being replaced. Two new members have been nominated by the President, and await Senate confirmation. One of those is from Texas, and one is from Washington DC, which will leave the Board in compliance.

Senator McCLURE. Based on the remaining terms of office for current Board members, how many years will lapse before the geographic representation on the Board will be in compliance with the law?

Mrs. SHEPARD. Less than 1 year. It will be in compliance this year.

GENERAL OPERATING SUPPORT MAXIMUM GRANT

Senator McCLURE. In 1985 the maximum general operating support grant was increased from $50,000 to $75,000.

What is the proposed maximum grant for this year and for next year?

Mrs. SHEPARD. Currently the ceiling is the same. It is $75,000. And that is voted on at the Board meeting.

Senator McCLURE. And you have no plans to make any changes?

Mrs. SHEPARD. We really can't make that decision until we know if we are going to be funded. And, if we are going to be funded, to what level.

Senator McCLURE. Assuming that you got funded at the same as last year, what would you do?

Mrs. SHEPARD. We will bring it up again. Obviously, the Board seems to feel that $75,000 is a good figure.

I, personally, have some questions on it myself, and I will be exploring it depending on the funding range.

Senator MCCLURE. The reason given last year for increasing the maximum was that IMS was funding approximately 40 percent of applications received. And rather than increasing the percentage of application awards, it was decided to use the additional funding provided by Congress to increase the size of the awards.

If the amount provided for general operating support were to be decreased, would the Institute recommend reducing the maximum award, or reducing the percentage of applications?

Mrs. SHEPARD. Again, I think to keep in line with Government funding, we feel that the 30- to 35-percent range for funding is the correct range. It is what other grantmaking agencies of the Government do. And we have been up over 40 percent. We are now more in compliance.

And the 1986 awards, which were just given out today, are in that exactly 30, 31 percent range.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. I will have some further questions to submit for response in writing to the record.

I do thank you for your testimony, Mrs. Shepard. I will ask that you return those responses as quickly as possible.

Mrs. SHEPARD. Of course.

Thank you, Senator.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Please provide for the record an object class breakdown and explanation of the administrative budget requirements for IMS if total funding by Congress is approximately the same as the fiscal year 1986 level.

The Institute of Museum Services would require $829,000 in administrative funds for FY 1987, an 8.2% increase over the FY 1986 appropriation, and an amount consistent with the FY 1985 administrative appropriation if the agency is re-appropriated for next year. We would like to note for the record that the administrative requirements for the Institute of Museum Services are not program sensitive; which is to say that regardless of the amount of the program appropriation, the staff required to process IMS grants would remain at current levels, the amount required to print applications would remain at current levels, in effect the amounts in the other object classes would also remain at current levels.

1100-PERSONNEL, AND 1200, BENEFITS

Personnel Compensation

For Fiscal Year 1987, the Institute of Museum Services would require $383,000, or about 48% of its administrative budget for personnel compensation for 15 FTE. This is an amount marginally higher than previous years, primarily because the agency is now fully staffed, having filled a vacancy in the Director's Office left unfilled until Miss Phillips' replacement was confirmed by the Senate. Additionally, the Institute of Museum Services has a staff which was hired at a junior level, with career ladder advancement possibilities. The FY 1987 personnel compensation estimate assumes staff career ladder promotions which are not scheduled for FY 1986 because of the current government-wide budget cuts. This request makes no assumption for a federal pay increase for FY 1987.
FY 1987 Personnel Compensation: $383,000.

Benefits

Personnel benefits for FY 1987 are calculated at 15%, the rate at which the IMS has covered its employees during FY 1986. This high rate is due to the fact that a majority of the Institute's staff is relatively new to the federal government, and therefore receive coverage under the newer Civil Service Retirement and Medicare regulations.
FY 1987 Personnel Benefits: $56,000.

2100 TRAVEL AND TRANSPORTATION OF PERSONS

The Institute would require $18,000 for travel in FY 1987, an increase from the FY 1986 level, which will permit the IMS Director and staff to travel to the various museum association conferences and meetings, many of which will not be attended in FY 1986.
FY 1987 Staff Travel: $18,000.

2200 TRANSPORTATION OF THINGS

Funds in this object class are used primarily for express delivery of time-sensitive reviewer materials.
FY 1987 Transportation of Things: $4,000.

2300 RENT, COMMUNICATIONS, AND UTILITIES

Rent for space in the Old Post Office Building for the Institute is estimated at $82,000 for FY 1987. This amount represents 9.8% of the IMS' FY 1987 estimated fixed administrative expenses.
FY 1987 Rent: $82,000.

Communications, Utilities, and Other Rent

The Institute uses funds in this object class to lease ADP equipment which is connected to the National Endowment for the Humanities' mainframe, and to pay for local and FTS telephone service, and postage.
FY 1987 Communications, Utilities, and Other Rent: $26,000.

2400 PRINTING AND REPRODUCTION

The Institute's primary annual printing expenses derive from the printing of each of the application/guidelines for the IMS' grant categories, as well as the expense for the agency's submissions to the Federal Register. Should the Institute receive an FY 1987 appropriation, the GOS and Conservation program applications which have had their printing delayed for the FY 1987 grant cycle due to the Gramm-Rudman budget cuts, will each need to be printed in October, 1986, and in July, 1987, in order to maintain the agency's grant cycle.
FY 1987 Printing and Reproduction: $33,000.

2500 OTHER SERVICES

The IMS would require $221,000 in other services for FY 1987. The agency's major expenses in this object class are for the Interagency Agreement the IMS has with the National Endowment for the Humanities for providing administrative support, on a reimbursable basis, for such activities as accounting, ADP, grants management, personnel, and some legal services; the other major expense is for the reviewers and panelists who analyze and score the annual grants applications for all categories. There are, in addition, the more routine expenses such as small service contracts, guard services, and the contract for employee health service with the Internal Revenue Service.
FY 1987 Other Services: $221,000.

2600 SUPPLIES AND MATERIALS

FY 1987 Supplies and Materials: $3,000.

3100 EQUIPMENT

FY 1987 Equipment: $3,000.

Authorized under Section 203 of the Museum Services Act, the National Museum Services Board has the responsibility for determining the general policies and programs of the Institute of Museum Services. The Board, appointed by the President and confirmed by the U.S. Senate, consists of 15 voting members and four ex-officio members. Under Section 204, the Board is required to meet at least four times a year and whenever one-third of its members request a meeting.

NATIONAL MUSEUM SERVICES BOARD

The Institute would need $58,000 for the National Museum Services Board to meet three times during Fiscal Year 1987. This will permit Board compensation and travel for all members to the three meetings, as well as salary for the portion of time spent on the Board's activities by the Executive Assistant to the Board (75%). The Institute and the National Museum Services Board believe that the Board's responsibilities can be carried out effectively with 3 meetings a year.

In the event that an Appropriation is to be provided for 1987, the Committee should consider adding a provision to the Appropriations bill which would permit an exception to Section 204 of the Museum Services Act. If four (4) meetings are continued to be required, the Institute estimates the Board would need $70,000 in FY 1987.
FY 1987 National Museum Services Board Activities (3 meetings): $58,000.
FY 1987 National Museum Services Board Activities (4 meetings): $70,000.

INSTITUTE OF MUSEUM SERVICES
ADMINISTRATIVE BUDGET: DETAIL OF OBJECT CLASSIFICATION
($ in Thousands)

Object Classes		FY 85 Act.	FY 86 Est.	FY 87 Req	
	Personnel Compensation				
11.1	Full-Time Permanent	356	340	383 1/	
11.3	Other than Full-Time Permanent	.0	0	0	
11.5	Other Personnel Compensation	0	0	0	
11.9	Total Personnel Compensation	356	340	383	
12.1	Personnel Benefits - Civilian	44	50	56	
21.0	Travel and Transportation of Persons	15	13	18	
22.0	Transportation of Things	2	3	4	
	Rent, Communications and Utilities				
23.1	Standard Level User Charges	105	110	82	
23.2	Communications, Utilities & Other Rents	21	21	26	
	Total Rent, Communications & Utilities	135	131	108	
24.0	Printing and Reproduction	27	12	33	
25.0	Other Services	207	210	221	
26.0	Supplies and Materials	3	2	3	
31.0	Equipment	4	0	3	
	Total IMS, Administration	784	761	829	829
	National Museum Services Board	71	67	58	70
	Total Administration	855	828	887 2/	899 3/

1/ Excludes possible pay supplemental.

2/ Total at 3 National Museum Services Board meetings, annually.

3/ Total at 4 National Museum Services Board meetings, annually.

Please submit for the record, the Institute's original request to the Office of Management and Budget for fiscal year 1987.

Attached.

September 5, 1985

The Honorable James C. Miller III
Director
Office of Management and Budget
Old Executive Office Building
Washington, D.C. 20503

Dear Mr. Miller:

Attached is the FY 1987 budget proposal for the Institute of Museum Services. To reflect the continuing need to reduce the Federal deficit, we are proposing to eliminate the IMS in FY 1987. However, in order to assist your staff with its analysis of the agency's programs and objectives, we are also attaching an alternative budget proposal which continues the most effective of the agency's programs. We look forward to discussions with the OMB on this matter in the months ahead.

Sincerely,

Monika Edwards Harrison
Acting Director

AWARD CATEGORIES
($ in Thousands)

	FY 1985 Estimate	FY 1986 Estimate	FY 1987 Estimate
1. General Operating Support			
Obligations	$16,748	0	0
No. of Applications	1,264	0	0
No. of Awards	449	0	0
Percentage Funded	36%	0	0
2. Museum Assessment Program (I & II)			
Obligations	475	0	0
No. of Applications	475	0	0
No. of Awards	475	0	0
Percentage Funded	100%	0	0
3. Conservation Program			
Obligations	3,430	0	0
No. of Applications	476	0	0
No. of Awards	258	0	0
Percentage funded	54%	0	0
Total Obligations	$20,653	0	0
Total No. of Awards	1,182	0	0

INSTITUTE OF MUSEUM SERVICES
ANALYSIS OF RESOURCES AND STATISTICAL SUMMARY
BUDGET ACCOUNT: 59-0300-0-1-503
($ in Thousands)

	FY 85 Est.	FY 86 Est.	FY 87 Request	
			Primary	Alternate 1/
Budget Authority				
General Operating Support 1/	17,223	0	0	
Conservation	3,430	0	0	15,000
Administration	833	285	340	880
National Museum Services Board	74	7	10	74
Total Budget Authority	21,560	292	350	15,954
Outlays	18,235	3,617	350	13,859
Applications Received	2,215	0	0	2,215
Grants Awarded	1,182	0	0	730
Percent of Applications funded	53.4%	0	0	33%
FTE	15	4	4	15

1/ Alternate budget provided for OMB analysis and planning.

What has been the reaction to the MAP II program?

The response to the MAP II program has been significant in number; however it is the opinion of the American Association of Museums, coordinator of the program, that many applicants who have undertaken MAP II did so prematurely as they had not yet carried out the recommendations of the first MAP survey. Currently, applicants to the MAP II program are being strongly encouraged to carry out the recommendations regarding their collections care and management made in the first MAP report before undertaking the MAP II survey.

If approximately $400,000 were provided for the Museum Assessment Program, what would you anticipate would be the split between MAP I and MAP II?

The split between MAP I and MAP II has always been satisfactorally determined by the demand for each program. IMS monitors the demand and divides the amounts according to the demand. As there is a natural transition to a greater emphasis on MAP II as most museums which will participate in MAP I have already done so, we do not anticipate any difficulty in dividing the amount availabe between the two programs.

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NATIONAL ENDOWMENT FOR THE ARTS

STATEMENT OF FRANK HODSOLL, CHAIRMAN, NATIONAL ENDOWMENT FOR THE ARTS, CHAIRMAN, NATIONAL COUNCIL ON THE ARTS

ACCOMPANIED BY:

- **HUGH SOUTHERN, DEPUTY CHAIRMAN FOR PROGRAMS**
- **JACK BASSO, DEPUTY CHAIRMAN FOR MANAGEMENT**
- **KATE MOORE, DIRECTOR, OFFICE OF POLICY PLANNING AND RESEARCH**
- **ANTHONY TURNEY, DEPUTY TO THE CHAIRMAN FOR PUBLIC PARTNERSHIP**

PREPARED STATEMENT

Senator McCLURE. We will now turn to the National Endowment for the Arts [NEA].

I again apologize to you and to the others for being so tardy in arriving. I apologize for that delay.

The fiscal year 1987 appropriation for the National Endowment for the Arts totals—the budget request totals $144,900,000, a decrease of $20,761,000 below fiscal year 1986 appropriations to date.

Of the amount provided for the current year, $7,123,000 is sequestered.

Mr. Hodsoll, it is a pleasure to have you before this committee again. If you would please introduce those who are at the table with you, we will then place your complete statement in the record, and proceed to the questions.

Mr. HODSOLL. Thank you very much, Mr. Chairman.

It is a pleasure, as always, to be here.

On my immediate left is Hugh Southern, our Deputy Chairman for Programs.

On his left is Jack Basso, our Deputy Chairman for Management.

On my immediate right is Kate Moore, who is the Director, Office of Policy Planning and Research.

And on her right is our Deputy to the Chairman for Public Partnership, Anthony Turney.

[The statement follows:]

STATEMENT OF FRANK HODSOLL

It is a pleasure for me to be here today to discuss the Administration's request for $144.9 million, including $117.9 million for grants and administration, and $27.0 million in matching (indefinite) funds, for the National Endowment for the Arts in Fiscal Year 1987. Mr. Chairman, on behalf of everyone at the Endowment I want again to thank you and the Members of this Subcommittee for your continued support and concern for the work we do.

The budget request before you today is consistent with the Administration's requests for FY 1985 and FY 1986. Even with the pressures of the Gramm-Rudman-Hollings deficit reduction legislation, we are committed to a significant level of Federal funding for the arts. The budget we propose will continue the support of excellence in the arts and access to and appreciation of, that excellence; it will catalyze support for these purposes; and it will help bring national recognition to the best of the nation's art and artists.

In FY '86, the Arts Endowment directly supports artists and arts organizations through 67 funding categories in 18 programs. Endowment programs are designed to meet diverse and ever changing needs and opportunities to further excellence and access throughout the country. We work with state, local, and regional arts agencies, our "public partners", to help assure the different needs of different regions are identified and addressed. In virtually every area of Endowment activity, we depend heavily upon partnerships with the private sector; private support continues to be the bedrock of a flourishing artistic environment in America.

As the Endowment has evolved over the years, a distinction has developed between what I would call "base programs" and "initiatives". Base programs provide a margin of support for arts institutions and individuals, and general support for state arts agencies and regional organizations to assist the arts in accordance with individual regional, state and local priorities. These categories of funding include ongoing seasonal support for performing arts institutions and fellowships for individual artists. The vast majority of the Endowment's funds are dedicated to these "base programs". At the same time, we also channel some monies toward particular needs in the fields where we see -- based on a national perspective -- that the federal dollar may have a particularly positive impact.

Mr. Chairman, I would like to focus my statement on such initiatives. These intiatives are designed to effect a change in the state of artistic excellence and audience appreciation of the arts. It is an effort to put limited dollars where they will have a catalytic and long-lasting impact on fostering the best of the arts and access to, and appreciation of, that best. For example, years ago, the Endowment's Music Panel became concerned that emerging, gifted conductors were not provided sufficient opportunities to work with major professional orchestras. Out of such concern, the Exxon/Arts Endowment Conductors' Program, was launched in 1974. It has been jointly funded since that time by the Exxon Corporation and the National Endowment for the Arts and is managed by Affiliate Artists. Participating conductors perform on a full-season basis, for up to three years, with a major symphony orchestra or opera company, under the guidance of the performing organization's artistic and administrative staff. Since 1974, the Program has placed 42 conductors in full-season residencies with 26 symphony orchestras and opera companies. Nearly 90% of the Program's graduates have found full-time, permanent positions in their field, and many have assumed prominent positions with leading orchestras throughout the country.

In 1976, the Endowment's Media Arts Program began to provide major support to televised arts programming. Very soon the Programming in the Arts category became a major and highly influential aspect of our work. Arts programs of high quality found vast new audiences through public television and radio broadcasts; we are still in the early stages of developing this great technological potential for multiplying arts appreciation and involvement.

Programming in the Arts grants have supported such distinguished series as Live from Lincoln Center, Live from the Met, and Great Performances, which reach between 5 and 6 million viewers with each performance. American Playhouse, which presents adaptations of original drama and live theater for television, reaches an estimated 6 to 10 million viewers per performance.

Examples of leadership efforts undertaken in more recent years include the creation of the Regional Fellowships for Emerging Visual Artists, the Test Program for Local Arts Agencies, the Community Foundation Initiative in Expansion Arts, and the Theater Ensembles initiative in Theater.

The regional fellowships in the visual arts were begun in Fiscal Year 1982 as a pilot program designed to augment the Endowment's national fellowships by extending fellowship support on a regional basis to outstanding artists the Endowment might not otherwise reach. In Fiscal Year 1982, the Visual Arts Program awarded a grant to the Mid-America Arts Alliance for fellowships in the mid-West. Since that time, the program has expanded to include three regional organizations covering 23 states. To date, 79 fellowships of $3,500 each have been awarded.

The program is meeting with success on several levels. The fellowships are providing increased support and recognition at the regional level, and are also levering additional funds for artists because the regional organizations match the Endowment funds before subgranting them. In addition, the three participating regional organizations have organized and toured exhibitions of the recipients' art and are working in a variety of other ways to promote their work.

Three rounds of grants have been awarded under the Locals Test Program, which was established in 1983. They have demonstrated that some 145 local arts agencies could match $6 million in federal grants with over $27 million in new public funds at the local level. In FY 1986 these projects are being evaluated to determine whether this success warrants establishing the Program on a permanent basis, rounding out the public partnership the Endowment enjoys with state and regional arts agencies. At this time the outlook is very positive.

The Community Foundation Initiative was established to stimulate the creation of permanent endowments to assist emerging community-based arts organizations. This idea has taken root in Chicago, where a partnership between the Chicago Community Trust, the Chicago Council on the Arts, and the Endowment provides a revolving fund available to emerging arts organizations. Community Foundations in places such as Knoxville, Tennessee, Albuquerque, New Mexico, and Concord, New Hampshire are participating in this program, and they are finding innovative ways to match Federal dollars at a rate of two-to-one for up to four years each. Two rounds of CFI have produced 13 exemplary projects. We will maintain our current budget level for CFI despite an over-all budgetary reduction.

The Ongoing Ensembles initiative fills a critical need in the theater field by enabling our best theater companies to establish or augment long-term resident corps of theater artists. This development holds real promise for distinctive artistic achievement. In just two years, the initiative has become as competitive as the Challenge Program.

I have mentioned just a few leadership initiatives begun in response to specific needs in the field; they all reflect an effort to make a positive and enduring contribution to enhanced excellence, access and appreciation -- to effect change. Recent Endowment initiatives are highlighted in the introductory section, (pages 3-5,) of our Fiscal Year 1987 budget submission. Virtually all of the initiatives supported in FY 1985 and FY 1986 will continue in FY 1987. In addition, a few new ones will begin in FY 1987. These include the Music Program's efforts to assist touring of regional orchestras and to enhance music recording, and Media Arts Program efforts to expand arts cassette distribution and to involve state arts agencies in media arts projects. A special focus on utilizing permanent collections in the Museum Program is also highlighted.

Last year during the Endowment's reauthorizaton process, the House authorizing committee expressed a concern that the Endowment's programs should reflect the cultural diversity of this country, encourage the arts in rural areas, and support emerging organizations and "underrepresented" artists and audiences. We have responded and will continue to respond to such needs in all of our programs and projects. Both the House and Senate recognized arts and humanities education as central to the stated purpose of the NFAH Act and recognized the important role of arts education in ensuring a future demand for artistic excellence and broader availability of the arts to all citizens.

As we look toward the future, we are exploring ways to focus our efforts in several key areas on projects that could have major long-term impact on the arts across the country - - in advancing artistic excellence, expanding arts audiences, enhancing the arts presence in rural areas, and making art a basic part of every young American's educational experience.

The primary focus of the Artist in Education Program, since its inception in 1969 has been support for artist residencies in schools. The purpose was to enhance children's powers of perception and expression and to provide an opportunity for artists to function in schools and communities in circumstances conducive to their own artistic development.

During the 1983-84 school year, the Endowment's AIE partnership with all 56 state and special jurisdiction arts agencies supported projects at 10,500 sites, involving some 7,400 artists and 3,650,000 students. We now want to build on that success and broaden the scope of the program to encourage projects that over time will help facilitate the inclusion of arts education as a basic part of the curriculum, from kindergarten through high school.

For two years arts education has been discussed in numerous meetings across the country. We have talked and listened to teachers, school administrators, chief state school officers, artists, leaders of arts institutions, parents, and public officials at all levels. It has become clear to us that arts education, to be meaningful, must be made an integral part of basic education, systematic and sequential. Consequently, we plan to change the name of the Program from "Artists in Education" to "Arts in Education".

Artist residenies will remain a significant part of our effort in Arts in Education. However, we are inviting state arts agencies to broaden their perspective, and to work with us to encourage making the arts a basic part of education.

Over the next few weeks we will continue working with our public partners and others in devising guidelines for the Arts in Education Program. The effort, to show schools why it is in their best interest to make the arts a basic, will be difficult. It will require long-term commitment. But this effort, if even modestly successful, has the potential to take the arts we support out of what I call the "Twilight Zone" of cultural consciousness.

Our desire to help achieve major change is also relevant to our discussions on the future of the Challenge Program. This program has had a dramatic impact on private sector support and the net worth of our best arts organizations. It has successfully focused attention on the needs of our great arts institutions and on the vital role they play in preserving and making available our cultural heritage. Since 1977 the Challenge Program has generated over $1 billion in private matching contributions for our best arts institutions, at a ratio of about $6.70 in private dollars for every federal dollar granted.

The second phase of this program after FY 1987 will reach a point largely similar to the point at which the first phase concluded in FY 1982. In looking ahead to the future of the Challenge Program, we have adopted a concept we call "long-term enhancement" to guide our thinking. We want to identify those areas where artistic excellence and access to it might be most dramatically enhanced, over the long term, by major Endowment investments.

As we see it, long-term enhancement might apply to such goals as more adequately reaching audiences in small communities and rural areas; encouraging state level challenge programs to help build endowments and cash reserves for what one might call the middle arts organizations that currently do not receive support from either our Challenge or Advancement Programs; launching nationally significant projects in media programming (Challenge has traditionally strengthened public television stations rather than the series with which they bring the arts to audiences); and supporting creative innovation and broadened repertoire in leading arts institutions.

We expect to bring proposals for the future of the Challenge Program to the August 1986 Meeting of the National Council on the Arts where the Council will consider the Challenge Program's FY 1988 Guidelines and budget.

FY 1987 Budget Request

The request of $144.9 million for FY 87 will be used 1) to support the work of the nation's most excellent arts organizations and artists, 2) to support access to and appreciation of, such work, 3) to catalyze additional funding for excellent projects and for capitalization, and 4) to fund the administrative structure to support our grant-making and leadership activities.

A. Grants and Administration

1. Grants

Of the requested $117.9 million for Grants and Administration in FY 87, $103 million will be used to support outstanding artistic projects, fellowships, and activities which bring the arts to wide audiences. Program monies will support the activities of the discipline and multi-discipline Programs, as well as Partnership Programs. The remaining funds ($14.9 million) will be used to support the administrative structure which generates grants and leadership. Within the Program account, we will continue emphasis on our base programs, but also start a select few initiatives:

Media Arts: Cassette Distribution ($200,000). This funding will support the availability of previously-funded television arts programs by making cassettes available for educational purposes.

Media Arts: State Arts Agency Initiative ($100,000). Only a limited number of state arts agencies currently administer media arts programs. These funds would provide support to interested state arts agencies for developing programs of support to the media arts so that a broadened funding network might be developed.

Museums: Special Artistic Initiative ($500,000). This initiative will assist museums in developing series of exhibitions, educational programs and publications, using their permanent collections over a period of two or more years. Permanent collections are often underutilized because of the relative glamor of special, temporary exhibitions.

Music: Recording ($200,000). A stronger emphasis on recording would encourage more recording of American music. Funds would be directed to both not-for-profit recording companies and to performing ensembles and artists.

Music: Orchestra Touring ($100,000). These funds will provide support to smaller major orchestras (with available services) to tour to communities not usually reached.

State Programs: Special Constituencies Symposium ($50,000). These funds will support the second national symposium on arts accessibility for special constituencies. The first such conference, in July 1983, brought together "504 coordinators" from state and local arts agencies, representatives of service organizations, artists, and arts administrators active in reaching disabled, older, and institutionalized audiences and artists.

2. Administration

We are requesting $14.9 million for FY '87 to ensure we can maintain the quality of the Endowment's grant-making activities and to ensure post-grant award administration continues at an appropriate level.

This request represents a 2.7% increase over the pre-Gramm-Rudman FY '86 Administrative Budget, i.e. - exclusive of the Office of Policy, Planning and

Research. This modest increase is required to compensate for reductions made to our FY '86 Administrative Budget as a result of the overall 0.6% reduction in Interior Appropriations made during the enactment of the continuing resolution. In addition, the FY '86 Budget did not contain funds fully to offset the pay raise enacted in FY '85 nor our absorption of IPA costs from the Program account which also became operative in FY '85.

It is important to note that, in FY '86, in order to continue to improve our long-term efficiency, we are making a one-time planned reduction in our staffing to provide funding to ensure continuing development of our automated grants management and information systems. On top of these reductions, of course, we are making further cuts in panel allocations, travel, and other administrative expenses to comply with targets imposed by the Gramm-Rudman-Hollings Budget Reduction Act.

The proposed FY '87 Budget will permit us to fund our full complement of 258 FTE's (a reduction of 4 vs. 262 FTE in FY 85). This personnel complement is essential to carry out our grant-making responsibilities, to restore panel activity to a level we consider appropriate, and to meet our other fixed costs.

Also, this proposed budget permits us to continue to fund our Five-Year Information Systems Plan which has been critical to our being able to manage our Programs at greatly reduced FTE levels.

B. Matching Grants

The Endowment requests $27.0 million in matching (indefinite) funds, which will assist in the generation of private donations to the arts.

1. Treasury Funds

The Endowment requests $9.0 million in Treasury funds. These funds, generally matched three to one, will support larger-scale projects undertaken by organizations in the performing arts fields and in the fields of media arts and museums. These funds will also support Advancement Program grantees selected in FY 84 and FY 85, who are now raising the match required in the second phase of this Program.

2. Challenge Funds

The Endowment requests $18.0 million for the Challenge Grant Program. This level -- twelve percent of the budget -- will assure a critical mass of funds to provide, in proportion to our base programs, for a similar level of competition for those of the nation's most outstanding arts institutions that have not yet had a first or second Challenge grant since FY 1983. These grants will assist organizations to lever new contributed support, primarily for capitalization, thus strengthening their long-term stability.

Support for balance sheet items such as capital reserves or endowments is relatively scarce (few state arts agencies, for example, take on this mission and foundations primarily support programs and projects).

It is therefore important to maintain a visible Federal funding presence oriented to such longer term needs. In this way, the Challenge Program, budgeted at less than one-fifth the amount proposed for Programs and Treasury, is an important complement to the short-term support provided through Program and Treasury Funds.

Based on historic experience, the private funds generated for the arts through the Challenge Program should be well in excess of $100 million.

* * * * *

The proposed budget of $144.9 million for the National Endowment for the Arts will enable us to sustain support for our base programs and leadership initiatives. We will continue to be able to support the best of the nation's arts, provide access to excellent programming throughout the country, and encourage growth and stability in the diverse network of public and private support. We are fortunate that, in a time of constrained Federal budgets, a strong economy has made possible growth in key areas such as artists employment, ticket revenues, state arts agency appropriations and private donations to the arts. State arts agency appropriations in particular are up from $124 million in FY 82 to $202 million for FY 86.

We will, in sum, be able to maintain a significant Federal presence in the support of the arts, and to intensify our efforts to increase appreciation and availability of the full spectrum of the nation's artistic achievement.

STATE SUPPORT FOR THE ARTS

Senator McCLURE. Thank you very much. Welcome to all of you.

To begin on a positive note, despite Federal funding constraints, appropriations by the States in support of the arts continues to rise. Approximately $202 million was appropriated by the States for fiscal year 1986, which is a 25-percent increase over fiscal 1985. And a 48-percent increase above the amount appropriated in fiscal year 1984.

During this same period Federal appropriations to NEA have remained almost constant.

Are arts organizations now focusing on State legislatures in recognition of the constraints we at the Federal level face?

Mr. HODSOLL. No, sir; I don't think that they are putting any extra focus—at least not to my knowledge—at the State legislature level.

But I do think that the figures that you cite do show an increased recognition at the State level of the importance of the arts to States and communities. And I think that is a very good sign, indeed.

Senator McCLURE. A number of the States have already completed their legislative sessions for this year.

Is it possible to determine if that trend continues?

Mr. HODSOLL. The numbers I have most recently from the National Assembly of State Arts Agencies would appear to indicate that out of 43 States that had been surveyed as of that point, about 1 month ago, 34 had indicated that there would be further increases in fiscal year 1987, and only 9 indicated decreases.

That, of course, changes as one goes through their State legislative sessions.

1985 AMENDMENTS

Senator McCLURE. The 1985 amendments require a number of surveys to be conducted in the next 2 years. Specific requirements are: To develop a system of national information and data collection on the arts and their audiences; periodic reports on the state of the arts; a study of arts and humanities education; and a report on the selection of experts appointed to review panels.

The Comptroller General is directed to carry out a study on the feasibility of supplementing appropriated funds with receipts from copyrights or for the performance of works in the public domain.

The Federal council is directed to submit a report on the nature and level of Federal support to museums.

With the exception of the GAO report, have you an estimate of the cost of these various reports?

Mr. HODSOLL. Well, sir, not yet in precise terms.

In terms of the 1987 budget proposal which is before you, that was prepared before we knew about these reauthorization requirements. And so it does not, per se, include them.

However, needless to say, we have in the last few months taken a look at these requirements, and it is our feeling that, within our currently authorized FTE of 258 we will be able to undertake this.

We anticipate that in the course of fiscal 1987, this may require up to five personnel, full-time equivalent personnel to do our part, if you will, in these various studies. As we go through the rest of fiscal 1986 and 1987, we will have a better idea of precisely what will be needed and we will be incorporating that next year in our fiscal 1988 request.

Senator McClure. Can you give us an estimate either at this time, or at the earliest possible date, of your estimated costs?

You have indicated you think you can absorb it. But I would like to know how much it is you are absorbing.

And, if I understood you correctly, you think it may take up to five FTE during 1987?

Mr. Hodsoll. That's correct, sir. Not during all of 1987, but in the course of 1987.

Senator McClure. If you can give us an estimate of how much of the year you may require the additional personnel.

Mr. Hodsoll. Yes.

[The information follows:]

The use of staff over the course of fiscal year 1987 for the new studies is currently roughly estimated to be five full-time equivalent staff. This estimate reflects staff usage—it does not represent a requirement of five new people. We are not asking for five new people. We are absorbing these responsibilities to the best of our ability. In fact, more than five people in the agency will be working on the studies: their cumulative commitment will be in the order of five FTE staff years. We will have more detailed estimates for fiscal year 1988 in that budget submission.

OUSTANDING STUDENT LOANS

Senator McClure. The Acting Chairman of the National Endowment for the Humanities has announced that fellowships will not be awarded to individuals who are delinquent on Federal education loans.

Will the arts be considering a similar policy?

Mr. Hodsoll. At the moment we are awaiting the Department of Education's own guidelines on this with respect to other Federal grant-making agencies. As of now, to my knowledge, they have not issued these guidelines.

There are discussions within the administration at the Department of Education and OMB with regard to this.

What I think we would like to do is see how the Humanities endowment proceeds. They have more relationship, in fact, with students because of their involvement with universities and so on than we do in the arts institutions, although there are plenty of students that are connected with our arts institutions. And we will see whether or not it makes sense to proceed this way. But, I think we should wait for the Department of Education on the guidelines first.

Senator McClure. When do you anticipate that may come?

Mr. Hodsoll. I don't know.

Jack Basso—can I turn to my associate?

Senator McClure. Surely. That's why you brought him. [Laughter.]

Mr. Basso. Mr. Chairman, it is anticipated that those guidelines may be some time in coming from the Department. The Department has an interagency task force which has addressed the question of Federal employees who are delinquent.

In fact, there was a news report this morning on the anticipated actions within the Government. Externally, the issue is much more complex because of several laws that would be affected: the Privacy Act, Debt Collection Act and so forth, that need to be considered among several agencies and ultimately submitted to the public and to the Congress by OMB.

So, it is likely to be quite some time in the future, probably the latter part of fiscal 1987 based on what OMB advised me as recently as this morning.

Senator McCLURE. That's OMB's schedule?

Mr. BASSO. Yes; they have made an informal comment this morning in responding to this question, that it might be the latter part of 1987 before they might expect to receive regulations.

LOCALS TEST PROGRAM

Senator McCLURE. Thank you.

The Locals Test program is being evaluated in the current year to determine if it should be established on a permanent basis.

As the 1987 budget requests funds for the continuation of the program has the result of the evaluation been prejudged?

Mr. HODSOLL. No, sir; basically we extended the trial period from 3 to 4 years. And so there is a continuation, if you will, of the test in fiscal 1987. And that is why we proposed funds at the same level as before for that program.

The evaluation is underway—more than underway, it is virtually completed. We have seen an initial draft of it, and it will be completed this month. We will then take a look at it in terms of making recommendations for our fiscal 1988 budget, sir.

Senator McCLURE. The direct grants to local arts agencies must be matched over a 3-year period. So, even if the evaluation were to be negative, wouldn't you still be involved in a locals program for 2 years after a decision was made not to continue the program?

Mr. HODSOLL. We would in administrative terms, Mr. Chairman, but not in funding terms.

Senator McCLURE. Will you please furnish a copy of that evaluation when it is completed?

[The information follows:]

[CLERK'S NOTE.—The information is being retained in the subcommittee files.]

GRANT DISTRIBUTION

Senator McCLURE. Other than fellowships, research, challenge grants, and the State programs, what is the ratio of new program grants versus grants to organizations which have received past support from the Endowment?

Mr. Hodsoll. Well, we don't have a ready data collection system on this. However, we have taken a look at this issue, at least on a sampling basis.

In those fields which I will call for the moment the most institutionalized fields—for example, orchestras, theater companies, opera companies, museums and the like—we have a very small turnover of 5 to 10 percent in the course of the year. And we think that is understandable since those kinds of institutions have long records of artistic excellence and they don't turn over that fast in terms of their excellence, which is the basis on which we judge them.

In the less institutionalized fields—one thinks of literary magazines or some of the design demonstration projects, visual arts organizations and so on—there is a wide range based on our sampling. For example, there is about a 21-percent turnover with respect to literary magazines. And then that goes all the way up to 78 percent when one is dealing with a wide variety of projects from design organizations.

And then there are lots of numbers in between which, if you like, I can provide a list of some of this for the record. It would appear that there is a fair amount of turnover in these fields.

Senator McClure. If you could also provide at the same time, for the record, a breakdown of applications between those seeking endowment funds for the first time, and prior grantees. And, a separate listing of the grant awards in excess of $100,000 distribution between first-time grantees and repeat awards.

Mr. Hodsoll. Be happy to, sir.

[The information follows:]

In categories of support which assist the more highly institutionalized areas (e. g., museums, orchestras and opera companies) we tend to make few "new program grants" each year -- in the range of five to ten percent. The number of institutions eligible for Endowment grants will tend to be limited and not large; and, from among those, the level of quality overall will not usually change radically from one year to the next. Especially in a period of flat or declining Federal budgets, new program grants in these areas will be the exception rather than the rule: the only way to let new grantees in is to push former grantees out -- and, if their quality remains high relative to applications for new grants, there is no real rationale for doing that.

In the less institutionalized fields, the percentage of new program grants increases. We examined in detail, for example, a few sample project-oriented categories. In FY '85, the percentage of new instituional grants was twenty-one percent for literary magazines; twenty-two percent for radio production organizations; nearly thirty percent for chamber/new music/jazz ensembles; thirty-three percent for folk arts organizations; fifty percent for consortium commissioning; and seventy-eight percent for design demonstration.

Please note that we do not have overall ratio figures; but, based on our general experience, we believe that they would essentially "average out" the ratios indicated above.

In virtually no instance did a first-time grantee receive an amount in excess of $100,000. This would be highly unlikely, since in the not-for-profit arts world only those groups more developed organizationally and fiscally would receive larger grants -- and these are relatively few in proportion to the whole universe of groups the Endowment deals with. These larger institutions have grown both artistically and financially over time, in part with Endowment help. It would be very unlikely for such a group to emerge both artistically and financially over night. The Endowment is, however, very much a "junior partner" in arts funding, and would generally not intend its grants to be a dominant part of any arts organization's overall annual budget.

Attached, as requested, is a list of all FY '85 grants of $100,000 or more awarded to organizations (units of state and local government are not included). None of the organizations shown received a grant for the first time.

REPORT NO. GMS104

NATIONAL ENDOWMENT FOR THE ARTS
GRANTS MANAGEMENT SYSTEM
DOLLAR AMOUNT LISTING OF GRANTS

GRANTEE NAME	GRANT #	AMOUNT RECOMMENDED	PROGRAM
American Film Institute	52-3422-0241	$1,600,000	MEDIA ARTS
Houston Grand Opera Association, Inc.	58-4621-0017	$1,000,000	CHALLENGE
John F. Kennedy Center for the Performing Arts	58-4621-0022	$1,000,000	CHALLENGE
American Film Institute	52-3422-0241	$1,600,000	MEDIA ARTS
Museum of Fine Arts	58-4621-0026	$1,000,000	CHALLENGE
Philadelphia Orchestra Association	58-4621-0036	$1,000,000	CHALLENGE
Saint Louis Symphony Society	58-4621-0045	$1,000,000	CHALLENGE
San Francisco Opera	58-4621-0041	$1,000,000	CHALLENGE
Ballet Theatre Foundation, Inc.	58-4621-0006	$900,000	CHALLENGE
Detroit Symphony Orchestra	58-4621-0014	$900,000	CHALLENGE
Educational Broadcasting Corporation	54-3442-0227	$865,000	MEDIA ARTS
Metropolitan Opera	54-3521-0114	$850,000	OPERA-MUSICAL THEATER
Corcoran Gallery of Art, The	58-4621-0012	$800,000	CHALLENGE
Whitney Museum of American Art	58-4621-0049	$800,000	CHALLENGE
American Repertory Theatre	58-4621-0004	$750,000	CHALLENGE
Cooper Union for the Advancement of Science and Art, The	58-4621-0011	$700,000	CHALLENGE
Western States Arts Foundation	52-6142-0059	$699,600	STATE PROGRAMS
Dallas Symphony Association, Inc.	58-4621-0013	$600,000	CHALLENGE
San Francisco Museum of Modern Art	58-4621-0040	$600,000	CHALLENGE
Affiliated State Arts Agencies of the Upper Midwest	52-6142-0056	$534,700	STATE PROGRAMS
Southern Arts Federation	52-6142-0062	$524,700	STATE PROGRAMS
American Crafts Council	58-4621-0002	$500,000	CHALLENGE
Atlanta Symphony Orchestra	58-4621-0005	$500,000	CHALLENGE
Ballet Theatre Foundation, Inc.	52-3321-0007	$500,000	DANCE
Museum of Contemporary Art	58-4621-0025	$500,000	CHALLENGE
New York Public Library, The	58-4621-0031	$500,000	CHALLENGE
Pacific Northwest Ballet Association	58-4621-0034	$500,000	CHALLENGE
Public Television Playhouse, Inc.	52-3442-0231	$500,000	MEDIA ARTS
Twin Cities Public Television, Inc.	58-4621-0047	$500,000	CHALLENGE
Mid Atlantic States Arts Consortium	52-6142-0065	$466,400	STATE PROGRAMS
Center for Puppetry Arts, Inc.	58-4621-0008	$350,000	CHALLENGE
New England Conservatory of Music	58-4621-0029	$350,000	CHALLENGE
New York City Ballet, Inc.	52-3321-0071	$350,000	DANCE
Oregon Shakespearean Festival Association	58-4621-0033	$350,000	CHALLENGE
South Coast Repertory, Inc.	58-4621-0044	$350,000	CHALLENGE
Syracuse Symphony Orchestra, Inc.	58-4621-0046	$350,000	CHALLENGE
Mid-America Arts Alliance	52-6142-0058	$349,800	STATE PROGRAMS
New England Foundation for the Arts	52-6142-0061	$349,800	STATE PROGRAMS
Dance Theatre of Harlem, Inc.	52-3321-0027	$320,000	DANCE
Center Theatre Group of Los Angeles	52-3226-0052	$315,000	THEATER
Guthrie Theater, The	52-3226-0082	$315,000	THEATER
New York Shakespeare Festival	52-3226-0121	$315,000	THEATER
San Francisco Opera	54-3521-0065	$315,000	OPERA-MUSICAL THEATER
Connecticut Players Foundation, Inc.	58-4621-0023	$300,000	CHALLENGE
Dance Theatre Foundation, Inc.	52-3321-0025	$300,000	DANCE
Jacob's Pillow Dance Festival, Inc.	58-4621-0021	$300,000	CHALLENGE
Paul Taylor Dance Foundation, Inc.	52-3321-0082	$300,000	DANCE
Performing Arts Council of Los Angeles	58-4621-0035	$300,000	CHALLENGE
Seattle Opera Association	58-4621-0042	$300,000	CHALLENGE
Boston Symphony Orchestra	54-3125-0581	$290,000	MUSIC
Los Angeles Philharmonic Association	54-3125-0597	$290,000	MUSIC
Musical Arts Association	54-3125-0607	$290,000	MUSIC
Orchestra Association, The	54-3125-0623	$290,000	MUSIC
Philadelphia Orchestra Association	54-3125-0630	$290,000	MUSIC
Philharmonic-Symphony Society of New York, Inc.	54-3125-0634	$290,000	MUSIC
San Francisco Symphony	54-3125-0651	$290,000	MUSIC
Foundation for the Joffrey Ballet	52-3321-0039	$275,000	DANCE
Lincoln Center for the Performing Arts, Inc.	56-3442-0220	$275,000	MEDIA ARTS
National Assembly of State Arts Agencies	52-6165-0063	$275,000	STATE PROGRAMS
Arena Stage	52-3226-0224	$270,000	THEATER
Houston Grand Opera Association, Inc.	54-3521-0030	$265,000	OPERA-MUSICAL THEATER
American Repertory Theatre	52-3226-0223	$260,000	THEATER
Arts Media Service	52-5365-0225	$260,000	EXPANSION ARTS
Lyric Opera of Chicago	54-3521-0036	$260,000	OPERA-MUSICAL THEATER
Pittsburgh Symphony Society	54-3125-0636	$260,000	MUSIC
Saint Louis Symphony Society	54-3125-0648	$260,000	MUSIC
Arena Stage	52-3221-0255	$256,000	THEATER
American Repertory Theatre	52-3221-0254	$253,000	THEATER
Abby Aldrich Rockefeller Colonial Williamsburg Foundation	58-4621-0001	$250,000	CHALLENGE
American Dance Festival	58-4621-0003	$250,000	CHALLENGE
Cunningham Dance Foundation, Inc.	52-3321-0022	$250,000	DANCE
Institute of Contemporary Art	58-4621-0018	$250,000	CHALLENGE
Metropolitan Pittsburgh Public Broadcasting	52-3442-0230	$250,000	MEDIA ARTS
National Public Radio	58-4621-0027	$250,000	CHALLENGE
Public Communication	58-4621-0039	$250,000	CHALLENGE
Sundance Institute	52-3442-0232	$250,000	MEDIA ARTS
University of Nebraska at Lincoln	58-4621-0028	$250,000	CHALLENGE
Minnesota Orchestral Association	54-3125-0605	$245,000	MUSIC
National Symphony Orchestra	54-3125-0609	$245,000	MUSIC
Theatre Communications Group, Inc.	52-3265-0245	$240,000	THEATER
Trinity Square Repertory Co.	52-3226-0188	$230,000	THEATER
Circle Repertory Company	52-3221-0256	$214,300	THEATER
Acting Company	52-3226-0024	$210,000	THEATER
Cincinnati Symphony Orchestra	54-3125-0551	$210,000	MUSIC
Martha Graham Center of Contemporary Dance, Inc.	52-3321-0060	$210,000	DANCE
National Assembly of Local Arts Agencies	52-6265-0009	$210,000	LOCALS TEST PROGRAM
Twyla Tharp Dance Foundation, Inc.	52-3321-0102	$210,000	DANCE
New York City Opera, Inc.	54-3521-0115	$205,000	OPERA-MUSICAL THEATER
Art Institute of Chicago, The	52-4432-0351	$200,000	MUSEUM
Brooklyn Academy of Music, Inc.	52-5441-0136	$200,000	INTER-ARTS
Film Society of Lincoln Center	58-4621-0015	$200,000	CHALLENGE

GRANTEE NAME	GRANT #	AMOUNT RECOMMENDED	PROGRAM
Interlochen Center for the Arts	58-4621-0019	$200,000	CHALLENGE
Michigan Opera Theatre	58-4621-0024	$200,000	CHALLENGE
Oklahoma Summer Arts Institute	58-4621-0032	$200,000	CHALLENGE
Old Globe Theatre	52-3226-0228	$200,000	THEATER
Pittsburgh Center for the Arts	58-4621-0038	$200,000	CHALLENGE
Saint Louis Art Museum, The	52-4432-0374	$200,000	MUSEUM
Seattle Repertory Theatre	52-3226-0159	$200,000	THEATER
Society for the Performing Arts	58-4621-0043	$200,000	CHALLENGE
Twin Cities Public Television	52-3442-0233	$200,000	MEDIA ARTS
Young Audiences, Inc.	58-4621-0050	$200,000	CHALLENGE
Atlanta Symphony Orchestra	54-3125-0532	$195,000	MUSIC
Detroit Symphony Orchestra	54-3125-0561	$195,000	MUSIC
California Arts Council	52-5151-0007	$192,700	ARTISTS IN EDUCATION
Baltimore Symphony Orchestra, Inc.	54-3125-0534	$190,000	MUSIC
American Symphony Orchestra League	52-3125-0683	$187,500	MUSIC
Connecticut Players Foundation, Inc.	52-3226-0099	$185,000	THEATER
Trinity Repertory Company	52-3221-0261	$181,500	THEATER
Dallas Symphony Association, Inc.	54-3125-0556	$180,000	MUSIC
Houston Symphony Society	54-3125-0598	$180,000	MUSIC
Educational Broadcasting Corporation	52-3442-0252	$177,400	MEDIA ARTS
WGBH Educational Foundation	52-3442-0257	$177,400	MEDIA ARTS
Actors Theatre of Louisville	52-3226-0025	$175,000	THEATER
Denver Symphony Association	54-3125-0559	$175,000	MUSIC
Hartford Stage Company	52-3226-0083	$175,000	THEATER
Indiana State Symphony Society, Inc.	54-3125-0586	$175,000	MUSIC
Milwaukee Symphony Orchestra	54-3125-0603	$175,000	MUSIC
Yale Repertory Theatre	52-3226-0198	$175,000	THEATER
Consortium for Pacific Arts & Cultures	52-6142-0057	$174,900	STATE PROGRAMS
La Mama Experimental Theatre Club	52-3226-0096	$170,000	THEATER
Opera Association of New Mexico/Santa Fe Opera	54-3521-0066	$170,000	OPERA-MUSICAL THEATER
Utah Symphony	54-3125-0674	$170,000	MUSIC
Ohio Arts Council	52-5151-0040	$165,550	ARTISTS IN EDUCATION
Eugene O Neill Memorial Theater Center, Inc.	52-3226-0072	$160,000	THEATER
National Institute for Music Theater	52-3565-0107	$160,000	OPERA-MUSICAL THEATER
Center Stage	52-3226-0051	$155,000	THEATER
Seattle Opera Association	54-3521-0068	$155,000	OPERA-MUSICAL THEATER
Greater Miami Opera Association	54-3521-0028	$153,000	OPERA-MUSICAL THEATER
Harlem School of the Arts, Inc., The	58-4621-0016	$150,000	CHALLENGE
Metropolitan Opera Association	56-3442-0229	$150,000	MEDIA ARTS
Negro Ensemble Company, The	52-3226-0116	$150,000	THEATER
New Museum of Contemporary Art, The	58-4621-0039	$150,000	CHALLENGE
Poets & Writers, Inc.	52-5265-0012	$150,000	LITERATURE
Rochester Philharmonic Orchestra, Inc.	54-3125-0645	$150,000	MUSIC
Saint Paul Chamber Orchestra, The	54-3125-0649	$150,000	MUSIC
San Francisco Ballet Association, The	52-3321-0097	$150,000	DANCE
Santa Barbara County Arts Commission	52-6242-0004	$150,000	LOCALS TEST PROGRAM
Twin Cities Public Television	52-3370-0027	$150,000	DANCE
Visual Arts Research and Resource Center	58-4621-0057	$150,000	CHALLENGE
Nebraska Arts Council	52-5151-0031	$148,900	ARTISTS IN EDUCATION
Oregon Symphony Association	54-3125-0621	$145,000	MUSIC
Washington Opera, The	54-3521-0079	$142,500	OPERA-MUSICAL THEATER
Wooster Group, Inc.	52-3221-0262	$140,500	THEATER
Milwaukee Repertory Theater	52-3226-0111	$140,000	THEATER
Buffalo Philharmonic Orchestra	54-3125-0547	$135,000	MUSIC
Affiliate Artists, Inc.	56-3125-0602	$130,000	MUSIC
New Orleans Philharmonic	54-3125-0615	$130,000	MUSIC
Playwrights Horizons, Inc.	52-3226-0230	$130,000	THEATER
Seattle Symphony Orchestra	54-3125-0656	$130,000	MUSIC
Southeastern Center for Contemporary Art	52-41[illegible]	$129,400	VISUAL ARTS
Ballet West	52-3321-0008	$125,000	DANCE
Brooklyn Academy of Music, Inc.	52-5442-0009	$125,000	INTER-ARTS
Circle Repertory Company	52-3226-0050	$125,000	THEATER
Dallas Theater Center	52-3226-0226	$125,000	THEATER
Goodman Theatre	52-3226-0080	$125,000	THEATER
Syracuse Symphony Orchestra, Inc.	54-3125-0669	[illegible]	MUSIC
American Conservatory Theatre	52-3226-0021	$120,000	THEATER
Children's Theatre Company and School, The	52-3226-0053	$120,000	THEATER
San Diego Symphony Orchestra	54-3125-0650	$120,000	MUSIC
Texas Opera Theater	52-3542-0097	$120,000	OPERA-MUSICAL THEATER
Cleveland Ballet	52-3321-0019	$113,700	DANCE
Pennsylvania Ballet Association	52-3321-0083	$113,700	DANCE
Dunham Fund for Research and Development of Cultural Arts	52-5326-0189	$112,500	EXPANSION ARTS
Oregon Shakespearean Festival Association	52-3226-0128	$110,000	THEATER
Dallas Civic Opera	54-3521-0018	$107,500	OPERA-MUSICAL THEATER
OPERA America, Inc.	52-3565-0109	$105,000	OPERA-MUSICAL THEATER
Symphony Society of San Antonio	54-3125-0668	$105,000	MUSIC
KCSM-The Learning Channel	52-3442-0225	$100,000	MEDIA ARTS
Baltimore Museum of Art, The	56-4442-0017	$100,000	MUSEUM
Boston Symphony Orchestra	52-3174-0766	$100,000	MUSIC
Brooklyn College	58-4621-0014	$100,000	CHALLENGE
California Community Foundation	52-5370-0240	$100,000	EXPANSION ARTS
Center for Southern Folklore	58-4621-[illegible]	$100,000	CHALLENGE
Corcoran Gallery of Art, The	52-4441-0559	$100,000	MUSEUM
House Foundation for the Arts, Inc., The	52-3321-0046	$100,000	DANCE
International Center of Photography	58-4621-0020	$100,000	CHALLENGE
Museum of Fine Arts	56-4442-0116	$100,000	MUSEUM
Museum of Modern Art, The	56-4442-0118	$100,000	MUSEUM
New York University	52-4471-0461	$100,000	MUSEUM
Newark Museum Association, The	52-4472-0379	$100,000	MUSEUM
Opera America, Inc.	52-757[illegible]-0169	$100,000	OPERA-MUSICAL THEATER
Pen Syndicated Fiction Project	52-527[illegible]-0015	$100,000	LITERATURE
Pen Syndicated Fiction Project	52-527[illegible]-0297	$100,000	LITERATURE
Pentacle, Inc.	52-3370-0026	$100,000	DANCE
Pittsburgh Ballet Theatre, Inc.	58-4621-0037	$100,000	CHALLENGE
Research Foundation of the State University of New York	52-4431-0464	$100,000	MUSEUM
University of Delaware	52-4431-0451	$100,000	MUSEUM
Waverly Consort, Inc., The	58-4621-0046	$100,000	CHALLENGE

TECHNICAL ASSISTANCE TO APPLICANTS

Senator McClure. Are you comfortable with the Endowment's efforts to provide technical assistance to first time applicants so that they are not overlooked simply because they have not learned how to write the type of application that will lead to a favorable review?

Mr. Hodsoll. Well, I would like to begin, if I may, by saying that in virtually all of the fields we don't look to how they write the applications. That is essentially a very small part, if anything, of the panel review.

We look to site visits, to tapes and slides—depending on the art form—of the artistic product that they produce. And that is really the basis for judgment.

However, it is true, less from the point of application review than from the point of view of outreach, that we need to make ourselves known to smaller institutions, particularly away from major cities to inform them that we exist, that we have grant programs, that we can help.

What we do there is we have a guide to the National Endowment for the Arts publication which we distribute broadly both directly and through State arts agencies, regional organizations, and local arts agencies, and we have regional representatives for whom we specifically request funding and they also help with this effort.

So, through those various mechanisms we try to make sure that organizations and individuals all around the country are aware that when they come in to us that it is not on the application itself that they are evaluated, but on their work.

The only exception really to that, Mr. Chairman, is in connections with the more sophisticated kinds of grants—as for example, in the Challenge Grant Program, where one is giving very large—or relatively large in our terms—grants to institutions for long-term progress, such as through endowments and cash reserves. There we do require fairly sophisticated financial statements.

Senator McClure. The quality of the application and supporting materials though, is an important part of that process.

Mr. Hodsoll. In the challenge grant area; yes, it is.

Senator McClure. I had the occasion at one time to sit down and look at 3,500 slides of works of art for an Idaho show. And I can tell you there was wide variation in their quality.

I was much less impressed by some of the slides than I was about the individual works in some instances where I knew the quality of the artist and of his works. Yet, as a photographer, he was lousy. [Laughter.]

If I hadn't known that he was a good artist, I would probably have flipped those to the bottom of the pile.

Mr. Hodsoll. Well, that is essentially the way we look at their product as well as through a panel.

Senator McClure. That's the reason I asked the question. Because there is a dramatic difference. And, if they are a very competent institution, they know that, they are capable of producing good work, they make good applications, they are successful in the application, then here they go once again.

Somebody who hasn't been successful, maybe it is because they just don't know how to put it together.

Mr. HODSOLL. That's possible, certainly, in any given case.

However, take a photographer, for example. I mean, just using your analogy there, Mr. Chairman, I think a good photographer will know how to make a slide. Now, a good painter may not know how to make a slide, or be able to hire an appropriate photographer to make a slide.

Senator MCCLURE. Or even know that it is necessary to hire a good photographer.

Mr. HODSOLL. That is also true.

On the other hand, I don't think we have any other way to do it.

We certainly tell them that they are going to be judged on the basis of their slides or other examples of their work. I might say for orchestras, for example, we often get, and sometimes from major orchestras, not just the little orchestras, very bad audio tapes. And that obviously prejudices the panel deliberation.

All I can say by way of justification to that, sir, is I don't know of any other way to make these judgments, and we do the best we can.

I might say that there is interaction—not in every case—but we try to have interaction between our staff and the applicant. I mean, if the applicant sends in materials that are clearly unacceptable, or the materials do not show what they have in mind, we phone them and we try to see if there is some other way. And if there isn't, then yes that applicant doesn't do as well.

Senator MCCLURE. I don't suppose there is any totally satisfactory answer to that question. But, I am concerned.

There is the old saw that the "rich get richer and the poor remain poor." "Them as has, gits." There are a variety of different ways of saying it. But there is truth in it. And I suspect there is some truth in this field here.

Mr. HODSOLL. There is one other thing that we do.

We do fund a number of service organizations out across the country, both in individual disciplines and cross disciplinary. We do this particularly in the Expansion Arts Program, but also in other areas as well.

And a purpose of many of the service organizations is to help artists put together things of this nature. Not to undertake grantsmanship in the sense of having—at least I hope it is not that—the crafted phrase on a sheet, but to help put together the graphic design or the slides or whatever it is that is required. And some of that does, in fact, happen.

VIDEO CASSETTES

Senator MCCLURE. According to the justification on page 54, the Endowment is studying the possibility of recycling video cassettes of television arts programs for use in education.

Mr. Hodsoll, your opening statement indicates that $200,000 will be used in support of cassette distribution.

Is that $200,000 for a study or for actual reproduction and distribution?

Mr. HODSOLL. It's, in fact, for both. Mostly, at this point, for taking a look at this issue.

The basic problem in video cassette distribution is not the fact that there are video cassettes of high quality available even under existing union and distribution agreements, though there are problems there, but the basic problem is how to market them.

And so it is that we have undertaken with the President's Committee on the Arts and the Humanities, a pilot project which Exxon is funding with us, to try out the use of video cassettes in five very different market areas: From New York City on the one hand to the city of Billings in Montana on the other, and others in between, to see how in libraries these video cassettes might, in fact, get used by people. Because having them available on the shelf, if they don't get used, doesn't get you from here to there.

We are looking at that.

I might say that, in talking with Brian O'Dougherty, who is our Media Arts Program Director, as recently as I think it was about 10 days ago—he remains uncertain as to how ultimately we are going to be able to distribute these video cassettes.

At the same time there are other similar projects underway that have no funding from the Endowment at all. For example, the Metropolitan Opera, in its "Live from the Met" series, is trying through the distribution services of Paramount, the marketing of titles of their "Live from the Met" series in stores like Tower Records and the like.

At the end of this year they have agreed to share with us the results of that trial effort. In other words, how many are they selling and how many are they renting and so on.

So, we hope to learn more.

Senator MCCLURE. Are you talking about distribution to individuals, or institutions?

Mr. HODSOLL. In the case of the President's committee project, that is to institutions—libraries which then make the cassettes available for viewing in the library. In the case of the Metropolitan Opera, it is individuals. Tapes are for sale in a normal commercial outlet.

Senator MCCLURE. The National Gallery of Art and the Smithsonian Institution both have lending programs.

Have you looked at theirs?

Mr. HODSOLL. We are very aware of them. They have lending programs—primarily in the visual arts, of course. Most of the Endowment's product—not all—but most of it—is more in the performing arts area. But there is no question we need to have a better sense of how they are doing with this process and we do not have that yet from them. Because ultimately, Mr. Chairman, if I may on this, it is clear that the fastest-growing mechanism available in the country at large is the video cassette recorder. And if one could find appropriate ways for getting a variety of these things out, particularly in the home, it would do a lot toward providing greater access to better art all across America.

So, it is a high priority for us to work with both the Smithsonian and the National Gallery and many others, to see how this can best be done.

CHALLENGE GRANTS

Senator McClure. In fiscal year 1983, the Endowment elected to open the challenge grant competition to those institutions which have already received such a grant.

It appears that you may have again almost exhausted the pool of eligible grantees, as your statement indicates that a redirection of the challenge program will be discussed at the August council meeting.

Among the items to be considered are State-level challenge grants and long-term enhancement. Under a concept of long-term enhancement, would you propose opening challenge grants to applicants who have already received two challenge grants in prior years?

Mr. Hodsoll. They would be eligible to apply along with a much broader range of institutions than is currently the case.

I might say if I may, Mr. Chairman, in terms of eligibility technically defined, anybody can, in fact, apply. The real question, under our current program, is who is competitive under the criteria.

The new program, which is by no means adopted—we are struggling with it at this moment—is designed to encourage anybody to come in that can essentially make a major difference either for the art form or for access to the art form, or for appreciation or education.

It is our hope that in doing this we will be able to focus on the broad range of needs as opposed to the needs that have been addressed by our current challenge program which is strengthening those institutions that have the most established records of artistic excellence. This is only a small part of the field that we are supposed to address.

It is our hope that we can judge, in an equitable fashion, projects from wherever—whether from a State arts agency, a small press, a major opera company, or a regional dance company, whatever kind of institution—projects that will make a long-term difference.

This will be absolutely relevant for our fiscal 1988 budget; our fiscal 1987 budget contains essentially a repeat of the current challenge program. Our essential problem here is not designing the criteria for the new program, but rather concerns the design of a panel process that can judge equitably all these different kinds of things.

We are brainstorming that right now hopefully to come up with a conclusion.

DECLINE IN CHALLENGE APPLICATIONS

Senator McClure. There has been a significant decline in the number of applications received by the Endowment for challenge grants, from 298 applications in fiscal year 1981, to 171 applications in fiscal year 1984, and 149 applications in fiscal year 1985. A 50-percent drop in applications in 5 years.

To what do you attribute that decline?

Mr. HODSOLL. Well, I think that in the first year that you mentioned, Mr. Chairman, basically when one was opening up the challenge program again, virtually everybody came in. Many were disappointed because the competition was very rigorous, but many got grants. And so that reduced the competition in the second year.

I think that as one went into the second and third years, you had two things operating to reduce the number of applications: One was a more realistic assessment of chances of getting a grant on the one hand, and the other was basically a dimunution of the pool, if you will, of excellent candidates. And that, incidentally, was a pattern that we saw in the first round of challenge as well.

Senator MCCLURE. In fiscal year 1983, the Endowment funded only 15 percent of the challenge grant applications, while for fiscal years 1985 and 1986, one-third of all applications are proposed to be funded.

Has the amount of the average challenge grant changed substantially over the years?

Mr. HODSOLL. Yes, sir, it has.

The average challenge grant in fiscal 1983 was about $567,000; in 1985 that average was $437,000. But perhaps the more telling figure is the median figure, which goes from $600,000 in 1983, to $325,000 in 1985.

Basically what one is seeing here is that the very large institutions, by and large, got their challenge grants in the earlier years: for example, in the first year, the Metropolitan Opera, which is larger than anybody else with a budget of $75 million on an annual basis received a challenge grant. The next largest arts institutions—I don't have exact numbers, but they are institutions like the Metropolitan Museum of Art, with budgets of $30 or $35 million, thereabouts—also got challenge grants in the early years.

Once those very large institutions are through, we don't make million dollar grants very much any more. Those grants become a much smaller proportion, and we are giving out many more $100,000 grants.

POET LAUREATE

Senator MCCLURE. The 1985 amendments authorized the Chairman to sponsor a program at which the poet laureate consultant in poetry will present a major work or the work of other distinguished poets. A grant of $10,000 is authorized for this purpose.

Is it the intention of the Endowment to sponsor such an event during fiscal year 1987?

Mr. HODSOLL. Yes, sir, it is. Though we haven't worked out yet the precise way in which that will be done, to be honest with you. We are, I think, waiting to hear.

Maybe I should turn to one of my colleagues. This is an issue that I am not absolutely familiar with.

Senator MCCLURE. You turned to her and she is shaking her head. [Laughter.]

Ms. MOORE. Only to say that we have had some preliminary discussions with the Library of Congress, and the event is in the formation stage. But we would be prepared to sponsor the event as required.

Senator MCCLURE. But you do intend to do that before the end of the fiscal year?

Ms. MOORE. Yes, sir.

ADDITIONAL COMMITTEE QUESTIONS

Senator MCCLURE. I have some further questions to submit for a response in writing.

I do thank you for your testimony, Mr. Hodsoll.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

ADDITIONAL COMMITTEE QUESTIONS

Panels

Question: The 1985 amendments also bar an individual from serving on panels if such individual has an application pending before such panel. What impact will this provision have?

Answer: The 1985 amendments will not alter current practice, since current policy already bars an individual from serving on any panel which will review an application from him or her. In fact, a person with an application pending for an individual grant in any program is currently barred from service on all panels.

Grantee Reporting Requirements

Question: Additional reporting requirements are placed on grantees and there is a requirement for post-award evaluation by the Endowments. Have you been able to assess the impact of this requirement on both the grantee and the Endowment?

Answer: We do not anticipate any substantive administrative impact on grantees as a result of this requirement. All grantees are now required, as a condition of their grant, to submit financial status reports and final descriptive reports to the Endowment. These requirements are contained in OMB governmental grant administration regulations.

Similarly, we do not anticipate that the new provisions will have a major impact on Endowment workload since they are essentially an affirmation of current OMB requirements and Endowment policies -- nonetheless, the sharpened focus provided by the legislation, as well as the Chairperson's continuing attention to these matters for the past several years, is causing an increase in the relative allocation of staff, time, and facilities (e.g., ADP capabilities, storage space, etc.) to these activities, and may affect panel workloads as well. As we gain more experience, in the future, the Chairman may decide to allocate more of the agency's resources to these activities.

Question: If a grantee fails to meet the purposes for which financial assistance was provided, the Chairman may require a statement accompanying any publication of the work to include a statement that the opinions, findings, conclusions, and recommendations expressed therein do not reflect the views of the Endowment. Should we assume from this that the work of any grantee which is in line with an approved application has the support of the Endowment for whatever opinions, findings, conclusions, or recommendations are contained in the grantee's product?

Answer: No, this would not be a correct assumption. While Congress, in the recent reauthorization, has given the Arts Endowment authority to impose a "disclaimer" on projects which fail to meet both their purposes and standards of excellence (as earlier determined by peer panels), it has not authorized the Arts Endowment to endorse any grantee opinions, findings, conclusions or recommendations.

In fact, this would be improper and contrary to the purposes for which Congress has authorized the Endowment. The purposes for which Endowment grants are given and the basis on which grants are awarded do not include the expression of opinions, findings, conclusions, or recommendations. Rather, grants are given to encourage and assist the creation, preservation, availability, and appreciation of high quality art in all its forms based upon determination of the applicant's artistic quality. The recommendations on the basis of which these determinations are made lie not with Arts Endowment staff but with panels of experts in the artistic disciplines.

American Film Institute

Question: According to page 55 of the justification, the Endowment supplies 22 percent of the budget of the American Film Institute. Does this include Endowment funds from all sources to the Institute?

Answer: Yes. The 23% figure is a high estimate for FY 86 in that it includes cooperative agreements as well as grants awarded to the Institute in relation to its total income. As a matter of fact, Endowment support of the institute has decreased from 42% in FY 1976 to approximately 21% in FY 1985.

These percentages include all funds awarded to AFI for subgranting purposes. If the subgranting amounts were subtracted, the NEA percentage would be even lower. For example, in FY 1985 the Endowment awarded $2,779,000 toward the AFI's total projected budget of $13,129,000, or 21 percent. Of these funds, $656,500 were flow-through grant funds to support film preservation projects and independent film and video artists. If one were to subtract these flow-through funds, the Endowment's support would become 17 percent of the AFI's total budget in FY 1985.

Question: Are there other organizations which depend so heavily on annual NEA support for their operations?

Answer: There are a small number of organizations which the Endowment supports at a level similar to that of the AFI. For example, in FY 85 the National Institute for Music Theater received a grant of $160,000. This represents 21% of the organization's operating budget for that year. Our funds assist project grants and fellowships to singers.

The Theater Communications Group received a grant of $240,000 (18% of its budget) in FY 85 to support services to the field and publications.

There are also a number of state arts agencies that continue to receive high proportions of their budgets from the Endowment. Seven state arts agencies receive over 50 percent of their budgets from the Endowment.

Question: AFI was awarded a $740,000 Challenge Grant in 1983. What is the status of the required match?

Answer: The American Film Institute received a $750,000 Challenge Grant in FY 1982. They were required to match it 4-1 because the grant's purpose was the acquisition and renovation of the buildings to be used for the new site of the Center for Advanced Film Studies. The American Film Institute more than made its required match, raising $6,898,000 by June of 1984, a year before the deadline.

Question: Has the Challenge Grant resulted in improved financial stability for the organization?

Answer: The acquisition of the new site greatly stabilized and enhanced the AFI's financial position with regard to its facility; it also strengthened its ability to carry out its goal of education and training programs to provide professional training for directors of film and video and offer other opportunities to professionals and students in the film field.

The new campus is also the site of the unique American Film Institute Library and a state of the art video center, and the campus now houses the National Center for Film and Video Preservation, founded in 1984.

The Challenge Grant came at a time when the AFI's Center for Advanced Film Studies was without a permanent home; the grant greatly benefitted this organization at a time of real need. The new site has enabled the AFI to further its goals of service to the professional and academic film worlds of this nation.

Question: Of the 1983 AFI budget, what proportion was derived from the Endowment?

Answer: In FY 1983, AFI's total income was $11,858,000. Of this amount, the Endowment contributed $2,802,000, or 24%. The Endowment contribution included a $1,600,000 grant to support the Institute's programs, and three Cooperative Agreements ($230,000 to establish the National Center for Film and Video Preservation, $500,000 to support the AFI/NEA Film Preservation grants program, and $400,000 for the Independent Filmmaker Program).

Challenge Grants

Question: What exactly are state-level challenge grants for middle arts organizations?

Answer: Currently, about 12 states arts agencies offer "challenge grant programs", patterned in many cases after the Endowment's program. These programs offer special grants to arts organizations to be matched on more than a 1-to-1 basis. The amounts, purposes and guidelines for these grants are varied.

The Long Term Enhancement purpose of stimulating state level challenge grants for "middle" arts organizations would be to stimulate state level grants for the development of long term organizational stability for institutions with less established reputations of artistic excellence as well as those institutions of national prominence, i.e. those institutions that have not been competitive in Challenge but are more developed than those competitive in our Advancement Program.

Administration

Question: Between Fiscal Years 1981 and 1985 total applications to the Arts Endowment declined from 27,387 to 18,178 - a decrease of 33 percent. The Endowment anticipates an increase of 4 percent in applications in Fiscal Year 1987 as compared to Fiscal Year 1985. Why do you think the trend will be reversed?

Answer: The Arts Endowment has not experienced a continuous decline in applications from FY '81 through '85. This decline in applications actually occurred between FY '81 and FY '83 when applications went down from a high of approximately 27,300 in FY '81, to a low of approximately 15,000 in FY '83. This sudden decrease requires further clarification to place it in proper perspective. First, this reduction did not represent an across-the-board reduction in Endowment grant applications to Programs, but rather was confined principally to support for individuals in the Music and Visual Arts Programs. The reasons for these reductions in these Programs can be attributed to three factors:

1. In the Visual Arts Program the Fellowship grant application cycle changed from a one-year to a two-year cycle, which caused the annual application

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numbers to decline substantially accounting for a decline of4,540 applications;

2. Some separate categories of support for visual artists were eliminated; and,

3. Programs consolidated activities and/or strengthened applicant criteria in their Guidelines.

Our experience since FY '83 shows that applications have, in fact, increased by 1,800, or 12% from FY '83 to FY '84, and an additional 1,000, or 6% from FY '84 to FY '85. This experience clearly demonstrates a sustained increase in applications and

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Our 4% projected increase in applications for FY '87 is based on this trend data. In fact, this trend data may indicate that our 4% estimate is somewhat conservative.

Question: For the record, please list the number of members on each panel for fiscal years 1981 through 1985, the number of applications reviewed by each panel for the same period, and panel expenses.

Answer: The attached table lists each of the Endowment's Program panels and shows, for fiscal years 1981 through 1985, the total number of panelist positions in all sections of the panel, the total number of days of meetings and the total panelists days for all meetings; the total number of applications reviewed; and the total costs of panelists contracts for all meetings.

The applications reflected in this table are those which were reviewed at panel meetings held during each fiscal year. This is not the same as the number of applications for funding in that year.

Challenge grant applications are reviewed in meetings of the appropriate program panels; they are included in the application and panelist data for each program in this table. The Challenge line reflects only a Challenge policy committee meeting in FY 1981 and the overall Challenge Review Committee meetings in FY 1984 and 1985.

During this five-year period, the Endowment took a number of steps to cut panel costs, including the use of government airfares and consolidated or back-to-back meetings, which are reflected in the reduced average cost of a panelist day. At the same time, a number of other actions were taken to broaden the diversity of expertise and backgrounds among panelists, to provide the time needed for effective panel deliberations (many meetings still go late into the evening for several days in a row), and to assure careful decision-making procedure, documentation, and review. These actions required offsetting cost increases which are essential to the quality and fairness of the panel system. The funding requested for panel activity in FY 1987 is critical to the Endowment's effectiveness.

It should be noted that our FY 1987 estimates do not include the costs of recently-announced increases in Federal per diem rates, which will go up $38.00 per day effective July 1, 1986.

National Endowment for the Arts
Summary of Panelist Activity FY 1981 -- FY 1985
6/24/86 (SENPNL1)

PROGRAM	FY 1981					FY 1982					FY 1983					FY 1984					FY 1985				
	NO. APPS	NO. PNLSTS	NO. DAYS	PNLST DAYS	COST ($'S)	NO. APPS	NO. PNLSTS	NO. DAYS	PNLST DAYS	COST ($'S)	NO. APPS	NO. PNLSTS	NO. DAYS	PNLST DAYS	COST ($'S)	NO. APPS	NO. PNLSTS	NO. DAYS	PNLST DAYS	COST ($'S)	NO. APPS	NO. PNLSTS	NO. DAYS	PNLST DAYS	COST ($'S)
Dance	906	85	19	274	68,872	1,142	60	21	217	48,990	972	55	20	230	40,583	1,172	74	24	226	45,577	1,162	77	23	220	42,472
Design Arts	1,056	54	15	165	44,066	658	60	21	126	33,771	759	72	16	148	41,494	758	72	17	142	25,321	826	76	19	145	38,641
Expansion Arts	999	54	15	145	41,537	397	48	10	121	32,741	503	52	13	140	32,309	484	71	14	121	31,758	526	59	18	122	37,262
Folk Arts	425	47	12	143	36,983	309	48	12	144	33,797	377	38	8	103	26,257	475	37	11	127	31,126	470	36	11	132	29,831
Inter-Arts	419	63	19	139	58,419	399	75	15	172	38,328	580	67	17	202	46,362	626	45	12	144	35,612	489	76	17	210	46,778
Literature	3,059	75	13	207	51,516	365	30	6	60	17,251	900	45	9	102	26,646	1,468	46	11	101	28,826	2,249	58	11	123	34,106
Media Arts	1,007	82	23	152	56,403	637	49	19	96	27,500	750	47	18	101	36,719	854	66	21	130	36,455	844	60	22	122	30,474
Museums	1,061	53	13	95	27,429	997	51	15	103	25,402	1,020	47	12	86	21,149	1,197	45	14	168	24,874	1,139	53	15	119	31,140
Music	2,377	141	48	400	95,876	1,748	142	45	372	84,560	1,916	131	49	371	86,315	2,174	167	48	431	102,414	2,156	124	48	393	92,813
Opera-Musical Theater	249	39	9	121	31,716	264	52	10	118	28,733	258	48	12	151	34,206	350	50	14	166	34,557	269	48	15	157	34,364
Theater	1,086	41	11	78	25,378	846	52	13	99	20,475	914	52	11	121	40,815	861	71	14	107	47,324	895	68	18	178	46,746
Visual Arts	9,641	103	63	267	77,762	6,059	65	37	184	49,840	4,374	79	36	243	58,578	5,789	79	36	249	52,249	6,123	98	38	279	64,278
Artists in Education	57	28	6	84	25,907	96	32	8	91	23,384	185	31	6	93	19,692	219	25	5	62	17,109	217	22	6	66	16,621
Locals Test	0	0	0	0	0	0	0	0	0	0	43	13	3	39	10,864	23	9	2	18	7,532	22	23	5	58	16,248
State Programs	81	7	37	97	25,279	67	25	7	81	20,767	70	23	4	46	12,846	70	25	5	62	19,368	70	22	4	46	15,376
Challenge	0	8	1	8	2,203	0	0	0	0	0	0	0	0	0	0	0	18	2	26	10,652	0	27	3	45	11,478
Totals	22,414	880	295	2,315	$669,913	14,354	800	239	1,982	$485,547	12,621	801	224	2,196	$534,976	16,526	909	259	2,329	$553,795	17,788	927	269	2,459	$569,527

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SUBCOMMITTEE RECESS

Senator McCLURE. The subcommittee will stand in recess until 2 p.m. on June 10, at which time we will review the fiscal year 1987 budget request for the Office of the Secretary of the Office of the Solicitor for the Department of the Interior.

Thank you very much.

Mr. HODSOLL. Thank you, Mr. Chairman.

[Whereupon, at 3:40 p.m., Thursday, June 5, the subcommittee was recessed, to reconvene at 2 p.m., June 10.]

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

TUESDAY, JUNE 10, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2 p.m., in room SD-138, Dirksen Senate Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senator McClure.

DEPARTMENT OF THE INTERIOR

OFFICE OF THE SECRETARY

[CLERK'S NOTE.—Due to problems in the official transcription of this hearing there is no transcript for the Office of the Secretary's portion of this hearing. In lieu of this, the questions and answers were submitted to the Department for their response in the record.]

OFFICE OF THE SECRETARY

ADDITIONAL COMMITTEE QUESTIONS

Gramm-Rudman Reductions

To meet the sequestration order, most of the Departmental Direction offices (Secretary's Immediate Office, Congressional and Legislative Affairs, Equal Opportunity, Public Affairs, etc.) deferred the purchase of supplies, reduced travel and the filling of all but the most difficult vacancies will be delayed.

Question: Did any of these measures severely restrict those offices?

Answer: The Gramm-Rudman reductions have had an impact on the operations of all offices, but it has not been severely restrictive. Many of these offices perform staff functions, and positions can be rearranged or some projects can be delayed.

Question: Did the reductions require any changes in the focus or operation of these offices in fiscal year 1986? Any planned changes in fiscal year 1987?

Answer: There have been no major changes, but some practices have changed. We have delayed filling vacancies, restricted travel and curtailed training. Staff levels have been closely monitored and any additions have been more than offset by reductions.

We will keep the Committee informed of any significant changes necessary in FY 1987.

1987 Request

Your fiscal year 1987 request for the Departmental Direction offices is about 4.3 percent above the fiscal year 1986 adjusted level.

Question: Since the sequestration order required some comparatively minor adjustments, is there any reason that those offices cannot live within that level in fiscal year 1987? If you feel the increase is necessary, could you provide me with further justification?

Answer: While the 4.3% Gramm-Rudman reduction did not require any major adjustments in 1986, living with the same level in 1987 would cause several problems. For example in 1987 we are requesting an additional $1.5 million to pay for increased space charges by GSA. Additional economies and cost saving measures to fund this additional $1.5 million in cost would be much more difficult to realize. This increase is needed to pay for the additional SLUC charge due to rate increases by GSA, whose rate increase is not limited by G-R-H. In summary, we feel that the amount contained in the President's Budget for 1987 is necessary.

Congressional and Legislative Affairs

In the narrative part of the justification relating to the Office of Congressional and Legislative Affairs, you indicate that a comparable rate of appearances before Congressional Committees is expected in FY87 as occurred in FY85. Yet an accompanying table indicates that this number will increase 25 percent in FY87.

Question: Which figure is more accurate?

Answer: Based on current information, it appears that neither of these figures are accurate.

Question: If the current rate continues in FY86, what will be the total?

Answer: To date there have been 155 appearances before Congressional Committees. The office estimates that there will be approximately 20 more hearings through the balance of the year, for a total of 175. This estimate of 175 hearings should be consistent in 1987.

Question: If there is a 25 percent increase, have adequate funds been requested in FY87?

Answer: The level of funds requested in the 1987 budget are sufficient for this office to accomplish its mission. Appearances at Congressional hearings are a priority for the Department.

Equal Opportunity

It appears that the workload time of the large divisions of the Equal Opportunity Office will decrease from fiscal year 1985 and 1986.

The Division of Federal Employment Programs closed out 320 Equal Employment Opportunity complaints where hearings were not requested by the complainant in 1985. A similar number is expected to be closed out in 1986. In 1987, however, the Department estimates that about 200 will be closed out.

The Division of Federal Financial Assistance indicates that the number of complaints, amount of formal technical assistance and compliance reviews will drop about 50 percent from FY86 to FY87.

Question: Is there a reason for this drop off from 1985 and 1986 as compared to 1987? Is it a funding problem? If not, why is proposed funding relatively flat in FY87?

Answer: We have recently hired a new Director in that office. She has begun to evaluate the staff and the methods used to accomplish their mission. Based on current data, more innovative methods of actively pursuing complaint resolution and increased staff productivity, we estimate that approximately 300 cases will be closed in 1987.

These same actions will have similar results in the Federal Financial Assistance area. Current estimates for this workload are as follows:

	1985 Actual	1986 EST.	1987 EST.
Compliance Reviews	96	55	64
Complaints Processed	62	80	104
Technical Assistance	83	120	150
Technical Assistance to State Offices	50	50	50

This workload can be accomplished with less staff by doing things differently and with more proficiency. Complaints will be coordinated directly with state offices. Desk audit compliance reviews will be substituted for some on-site reviews. Increased technical assistance will be accomplished through telephone conferences, direct mailing and other more efficient methods of communication.

Question: Can you briefly explain the two day training session held on how to analyze EEO complaints? Did this training session deal only with how to analyze EEO complaints after they are filed or did it get into reducing the number of complaints?

Answer: The Division of Federal Employment Programs, Branch of Complaints Processing and Adjudication (CP&A) conducted the First Proposed Disposition Workshop on February 28, 1985 and March 8, 1985. This twelve hour training session was presented to Bureau and Office complaints processing staff responsible for conducting informal adjustments and drafting proposed dispositions. The main objective of the course was to provide technical guidance in analysis of reports of investigation and the preparation of proposed dispositions to enhance the quality of these documents and their adaptability as final agency decisions. In addition, the course also provided instruction concerning the informal adjustment of complaints to be conducted pursuant to federal regulations.

A significant benefit of the workshop has been the reduction of processing time resulting from increased settlements and/or acceptance of the proposed disposition and subsequent complaint withdrawal. Further benefit has been derived from the increased adoption of better written and more technically correct proposed dispositions as final agency decisions.

Question: How does the number of complaints at the Department of Interior compare with other Departments?

Answer: Based on data from agencies with similar levels of employment, we are about in the middle of the range in the average number of complaints filed per employee. These ranged from 1 complaint for every 261 employees to 1 for every 625. Interior had 1 for every 512. Interior does have a very high percentage for cases settled at 79%, compared to others which range from 34% to 55%.

Administrative Services

The FY87 request for Administrative Services is 67 percent below the FY86 adjusted level. Yet I fail to find any support for this reduction in the justification. In fact, the narrative for the base program indicates that the Office of Administrative Services will continue to provide essential support during FY86 and FY87.

Question: Can you explain what this reduction will entail?

Answer: The reason for this decrease is due to a realignment of funds within the Office of the Secretary appropriation. On page SEC 19 reference is made to the transfer of funds in the amount of $2,136,000 from Administrative Services to the Central Services activity. This is an adjustment for bookkeeping purposes only. The total cost to the Office of the Secretary appropriation for Working Capital Fund administrative cost is currently split between Administrative Services and Central Services. This transfer would simply reflect the cost in one account. The office will continue to provide the full range of services stated in the justification.

Cash Management Improvements

The Department of the Interior deals in a great deal of cash stemming from AML receipts, bonus bids, royalties, timber fees, etc...

The Grace Commission suggested the possibility of substantial savings to the U.S. Treasury projected from Departmental cash management improvement issues.

Question: Has the Department implemented any of these recommendations?

Answer: The Department has been recognized as a leader in the area of cash management. We have implemented all of the Grace Commission's recommendations regarding cash management.

Question: If so, can you give me a figure on the amount of savings involved?

Answer: During fiscal years 1984 and 1985, the Department's efforts saved the Treasury approximately $4.9 million and $6.5 million respectively. These savings have been accomplished by use of wire transfer of royalty related receipts, grant advances and other large dollar items; use of couriers for deposit of offshore bonus bid checks to the Federal Reserve bank, use of lock boxes for deposit of some mined land reclamation fees and the reduction of outstanding travel advances from $12 million to $5 million.

Question: Does this include the reduction of accounting systems and payment centers?

Answer: These figures do not include any savings associated with a reduction of accounting systems or payment centers.

Bureau Organizational Changes

There are, I am told, a number of other staffing and organizational changes contemplated for both the Fish and Wildlife Service and the National Park Service.

Question: What is the status of the Department's review of the new organization structure for the Fish and Wildlife Service?

Answer: It is correct that a number of both organizational and staffing changes are contemplated within the Fish and Wildlife Service (FWS) and the National Park Service (NPS). Our management analysis staff is presently working with FWS officials to finalize the new organizational structure and Department manual related to FWS. It is our understanding that most issues have been resolved, and we expect to implement the changes within the next 30 to 60 days.

Question: Would you consider consulting with us as the staffing and reorganization plans proceed for both the Fish and Wildlife Service and the National Park Service? I know that is in Assistant Secretary Bill Horn's area but I assume you have to approve at least some of those changes.

Answer: It also is our understanding that the FWS has briefed appropriate staff people on the committee outlining these changes and will continue to do so. As the FWS and NPS organizational changes move forward, the Bureaus will keep the committee informed pursuant to your reprogramming guidelines. If there is further information required by the committee, we will be glad to respond.

Payroll Consolidation

Question: How has the consolidation of the payroll operations under the Bureau of Reclamation been implemented? Has this gone as smoothly as you had hoped and how has this helped to control costs?

Answer: The payroll operations have been consolidated into the Bureau of Reclamation.

While not unexpectedly minor problems have occurred, overall the consolidation has gone very well. The new system has enabled the bureaus to implement modifications to provide better, more accurate and timely data. This has been done at a cost of $73 per account compared to $81-$150 in other agencies. In addition, the Department has reduced the number of FTEs dedicated to payroll functions from 200 to 147. These 53 FTEs have been reassigned to other functions in the respective bureaus.

Mail Consolidation

Last year you testified that you hoped that the consolidation of mail services would achieve improved efficiency and more cost effective operations at a lower overall cost to the government.

Question: Has this been the case?

Answer: We believe the consolidated mail services is a more efficient and cost effective operation to the Department in total. Prior to the consolidation, 39 FTEs were identified in mail room functions. This number is now down to 15 FTEs, a reduction of 24 FTEs.

Question: Have any Bureau's mail costs increased?

Answer: Bureau cost will not increase due to the consolidation. There is some question with regard to the validity of the data originally reported by the bureaus. Original estimates of costs charged to the bureaus were higher in some cases, but based on more complete recent data sampling we believe these costs to be lower. There may be additional costs due to increased level of services such as more deliveries, 4 versus 1 to 2 before the consolidation. There will be additional cost savings or avoidance with more accurate use of cheaper bulk mailing, postage meters and other centralized economies.

Unemployment Compensation

Question: What progress have you made in controlling unemployment compensation costs? Do you have a savings estimate?

Answer: We believe that this area has real pay-off for the Department. As of January 1, 1986 we have been using a contractor to improve controls and reduce costs. The contractor costs during the 1st quarter were approximately $22,000. During that quarter the contractor protested the validity of 469 claims, which were 14% of the claims against the Department. To date, 88 claims have been resolved, with the contractor prevailing in 70 cases (an 80% success rate). For these 88 cases, the costs are estimated to be $4,100 while the associated benefits involve a potential cost avoidance of $260,000. Decisions on the remaining 381 claims represent a potential $1.05 million liability to the Department. If we are successful in 80% of these protested claims an additional cost avoidance of $840,000 would occur.

President's Council on Management Improvement

I understand that Interior has played a leadership role in improving the internal control process government-wide by chairing a study for the President's Council on Management Improvement (PCMI).

Question: Can you explain your role and the results of your efforts?

Answer: We led the PCMI study team which consisted of representatives from six agencies and the General Accounting Office (GAO). The study team interviewed key officials and selective Inspectors General concerning their efforts and problems with implementing the provisions of the Federal Managers' Financial Integrity Act during FY 1984.

The study disclosed a massive effort to implement the Act's provisions -- over 1.6 million original pages of process documentation and over 5,800 FTEs dedicated to internal control in the 23 major agencies; and, it was costing approximately $1 million to locate each material weakness identified by the process. We identified three areas to improve the internal control process: make the process more meaningful to program managers; make audits more useful in improving internal controls; and improve OMB's implementing guidance.

The study findings served to stimulate and focus the efforts of agencies toward strengthening the internal control process with less paper burden and reduced efforts. Using the study findings, we devoted our efforts to: implementing the PCMI recommendations in the Department of the Interior; assisting a joint team of the President's Council on Management Improvement and the President's Council on Integrity and Efficiency in revision OMB Circular A-123; and assisting other organizations in providing internal control training. To assist other organizations in providing training, we have made presentations to three agencies and the Office of Personnel Management's (OPM) Western Executive Seminar Program, and we have been requested to make presentations at two other departments and at the national meeting of the Association of Government Accountants. We also contacted the OPM and the Department of Agriculture concerning changes to their existing courses.

Question: What are the key factors in making further improvements in the management control process in the future?

Answer: Significant improvements in the management control process depend in large measure on the support of program managers. While most Federal dollars are spent on program activities, program managers are generally less familiar with control concepts than their administrative counterparts and have not fully embraced the process. Agencies must instruct program managers on how the process can assist them in reaching their objective. Managers must convince themselves that control activities are not something done only by accountants and auditors. Managers must make internal control an integral part of their management process.

We have taken a number of actions in Interior to educate program managers on the importance of the internal control process. First, unless referring specifically to accounting system internal controls, we use the term "management control" when addressing managers. They accept this term more readily as something they should do, while "internal control" is often associated with accountants. Second, we have briefed assistant secretaries, bureau heads, and their key staffs on why the "management control" process is important and how it can help them reach their objectives. Third, we have given bureau heads copies of our briefing charts and asked them to brief their staff. Fourth, we have changed our process to incorporate the PCMI recommendations. Fifth, we have provided training to bureau trainers and working level staff on the changes in the management control process.

Question: What steps have been taken at the Department of the Interior to implement the recommendations in the report of the President's Council on Management Improvement?

Answer: We have responded to the recommendations of the report by: implementing the recommendations relating to Departments and IGs; conducting extensive management control training; and taking steps to assure that efforts to streamline the internal control process do not compromise adequate testing of internal controls. We introduced several process changes in accordance with study recommendations. These changes include: using a management control plan; emphasizing alternative internal control reviews which are buttressed by the GAO Control Standards; using management judgment of risk in a structured environment; and focusing IG audits on results.

We briefed all assistant secretaries and bureau heads on their responsibilities for management control and trained bureau trainers on the changes to Interior's process and how to actually review and test controls in program areas. Through these sessions over 500 people have been trained throughout the Department. To assure that adequate testing is conducted, we have strengthened the reporting requirements for testing. Managers must summarize the results of their tests in the control evaluation reports and bureau heads must certify in their 1986 assurance statement that adequate testing was conducted for the components reviewed.

Official Reception and Representation

Question: Is the ten thousand dollar representation fund provided to the Office of the Secretary used only for official receptions?

Answer: This account is used for official reception and representation expenses, such as award ceremonies, breakfast and luncheon meetings with members of Congress, Cabinet officials, State officials and representatives of various public interest groups.

Question: Of the ten thousand dollars provided in fiscal year 1986, how much has been used?

Answer: The $10,000 limitation has been reduced to $9,570 as a result of Gramm-Rudman. As of 5/31/86, $3,936 has been obligated leaving a balance of $5,634.

Hearings and Appeals

The budget request for the Office of Hearings and Appeals indicates a reduction of 472 thousand dollars and 7 FTE's. Yet the justification indicates that the workload may increase in fiscal year 1987.

Question: How will you be able to handle the increased workload with less funding?

Answer: There will be increased workload in the Office of Hearings and Appeals, especially in areas related to surface mining reclamation, royalty management and Indian probate. We feel this workload can be accomplished with the level of funds requested by a realignment of some of the divisions and field offices, consolidation of the hearing division and a reduction in some operating costs such as training and postponing the purchase of equipment.

Aircraft Acquisition

In fiscal year 1987, you have requested 12 additional aircraft, two new ones and ten replacements.

Question: Where will these be utilized? Are they fixed wing?

Answer: The two additional aircraft are for bureau requirements as follows:

1. National Park Service -- McKinley National Park has asked that we obtain a high fixed wing single-engine, two-place, aircraft to support their Park management, law enforcement, search and rescue, and administration programs.

2. Fish and Wildlife Service -- Kanuti NWR has asked that we obtain a high fixed wing single-engine, four-place, aircraft to support their Refuge management efforts.

Both of the above requirements are the results of additional management responsibilities due to the Alaska Lands legislation.

Question: Since the Alaskan fleet consists of about 80 aircraft, is this a normal replacement number? (Last year we replaced five aircraft)

Answer: The total Department of the Interior's fleet is 81 aircraft, 43 are in Alaska and 38 are in the lower 48 states. Our goal is to replace approximately 10% of the fleet each year. The five replacement aircraft last year were for Alaska only. This year's request would accommodate the entire Department of the Interior fleet, both in Alaska and the lower 48 states.

NPS Congressional and Legislative Affairs

It is my understanding that the Park Service has a "Director of Congressional and Legislative Affairs" and a "Director of Congressional Affairs".

About three years ago the "Director of Congressional and Legislative Affairs" was created to oversee a staff of roughly 5 FTE's. Recently that position was vacated and filled.

The position of "Director of Congressional Affairs" is currently vacant and is being considered for filling.

Question: Is there a need for two separate congressional offices within the Park Service? Would there be any cost savings if the two positions were combined?

Answer: The Park Service has a position entitled Assistant Director - Legislative and Congressional Affairs which is classified non-career SES. The other positions in the office are entitled Congressional Liaison Officer which is classified career GS-15, and Chief, Division of Legislation, which is also classified as career GS-15.

As of June 9, 1986, the Assistant Director position has been filled. With the recent retirement of the Congressional Liaison Officer, the National Park Service has determined that the position is no longer required. The other career GS-15 position will be retained.

The savings associated with the career GS-15 position which will not be filled will be reallocated to establish two additional staff positions within the office due to increased workload.

Staff, Workload Indicators, and Dollars associated with Congressional and Legislative Affairs

Question: Please provide for the record a table showing for each agency and bureau in the Department the staff, appropriate workload figures and dollars associated with Congressional and Legislative Affairs for FY84, FY85, FY86, and FY87.

Answer: The information follows:

	FY1984	FY1985	FY1986	FY1987
BUREAU OF LAND MANAGEMENT				
Full-time equivalents	4	4	4	4
Dollars (in thousands)	116	120	120	120
WORKLOAD INDICATORS				
Congressional Liaison:				
Congressional and Other Calls Received	3,500	3,500	3,600	4,000
Congressional and Other Calls Made	600	550	550	4,000
Number of Finalized Letters, Memoranda and Incoming Correspondence Reviewed	2,050	2,000	2,000	3,000
Individual Letters Received for Interim and Final Response	200	200	200	200
Legislation:				
Telephone Calls Received Relative to Congressional or Legislative Activities	1,700	2,000	2,200	3,800
Telephone Calls Initiated Relative to Congressional or Legislative Activities	3,500	4,000	4,300	5,000
Requests for Views Handled	291	289	300	516
Hearings Handled in which Bureau Staffs Participated	142	88	150	143
MINERALS MANAGEMENT SERVICE				
Full-time equivalents	5	5	6	6
Dollars (in thousands)	188	227	229	239
WORKLOAD INDICATORS				
Congressional Liaison:				
Congressional and Other Calls Received	950	992	1,010	1,010
Congressional and Other Calls Made	950	992	1,010	1,010
Number of Finalized Letters, Memoranda and Incoming Correspondence Reviewed	216	324	375	375
Individual Letters Received for Interim and Final Response	12	12	14	14

	FY1984	FY1985	FY1986	FY1987
Legislation:				
Telephone Calls Received Relative to Congressional or Legislative Activities.	235	248	258	258
Telephone Calls Initiated Relative to Congressional or Legislative Activities.	235	248	258	258
Requests for Views Handled................	2	3	4	4
Hearings Handled in which Bureau Staffs Participated..........................	25	25	25	25

OFFICE OF SURFACE MINING

	FY1984	FY1985	FY1986	FY1987
Full-time equivalents	3	3	4	4
Dollars (in thousands)......................	131	97	144	148

WORKLOAD INDICATORS

	FY1984	FY1985	FY1986	FY1987
Congressional Liaison:				
Congressional and Other Calls Received....	206	286	374	414
Congressional and Other Calls Made........	13	40	65	87
Number of Finalized Letters, Memoranda and Incoming Correspondence Reviewed....	246	232	315	317
Individual Letters Received for Interim and Final Response..............	246	234	320	335
Legislation:				
Telephone Calls Received Relative to Congressional or Legislative Activities.	4	12	20	25
Telephone Calls Initiated Relative to Congressional or Legislative Activities.	16	24	50	65
Requests for Views Handled................	0	0	0	0
Hearings Handled in which Bureau Staffs Participated..........................	41	60	10	15

BUREAU OF RECLAMATION

	FY1984	FY1985	FY1986	FY1987
Full-time equivalents	5	5	5	5
Dollars (in thousands)......................	169	174	196	183

WORKLOAD INDICATORS

	FY1984	FY1985	FY1986	FY1987
Congressional Liaison:				
Congressional and Other Calls Received....	n/a	n/a	9,100	9,100
Congressional and Other Calls Made........	n/a	n/a	19,500	19,500
Number of Finalized Letters, Memoranda and Incoming Correspondence Reviewed....	n/a	n/a	10,400	10,400
Individual Letters Received for Interim and Final Response..............	n/a	n/a	7,800	7,800
Legislation:				
Telephone Calls Received Relative to Congressional or Legislative Activities.	n/a	n/a	19,500	19,500
Telephone Calls Initiated Relative to Congressional or Legislative Activities.	n/a	n/a	9,100	9,100
Requests for Views Handled................	n/a	n/a	2,600	2,600
Hearings Handled in which Bureau Staffs Participated..........................	n/a	n/a	130	130

	FY1984	FY1985	FY1986	FY1987
GEOLOGICAL SURVEY				
Full-time equivalents	4	4	4	4
Dollars (in thousands)	168	172	181	179
WORKLOAD INDICATORS				
Congressional Liaison:				
Congressional and Other Calls Received	1,748	1,860	1,860	1,925
Congressional and Other Calls Made	1,640	1,750	1,750	1,825
Number of Finalized Letters, Memoranda and Incoming Correspondence Reviewed	448	345	375	400
Individual Letters Received for Interim and Final Response	155	145	150	160
Legislation:				
Telephone Calls Received Relative to Congressional or Legislative Activities	950	1,430	1,300	1,300
Telephone Calls Initiated Relative to Congressional or Legislative Activities	600	1,400	1,250	1,250
Requests for Views Handled	141	214	150	200
Hearings Handled in which Bureau Staffs Participated	26	21	25	30
BUREAU OF MINES				
Full-time equivalents	5	6	5	5
Dollars (in thousands)	174	221	175	183
WORKLOAD INDICATORS				
Congressional Liaison:				
Congressional and Other Calls Received	2,500	3,110	3,700	4,000
Congressional and Other Calls Made	4,600	5,000	6,000	6,000
Number of Finalized Letters, Memoranda and Incoming Correspondence Reviewed	290	853	900	900
Individual Letters Received for Interim and Final Response	264	776	850	850
Legislation:				
Telephone Calls Received Relative to Congressional or Legislative Activities	918	998	1,050	1,050
Telephone Calls Initiated Relative to Congressional or Legislative Activities	640	700	900	900
Requests for Views Handled	155	253	300	300
Hearings Handled in which Bureau Staffs Participated	19	15	30	30
U.S. FISH AND WILDLIFE SERVICE				
Full-time equivalents	5	6	7	7
Dollars (in thousands)	263	300	296	296
WORKLOAD INDICATORS				
Congressional Liaison:				
Congressional and Other Calls Received	7,800	8,190	8,599	8,600
Congressional and Other Calls Made	4,560	5,733	6,019	5,850
Number of Finalized Letters, Memoranda and Incoming Correspondence Reviewed	1,490	1,639	1,802	1,910
Individual Letters Received for Interim and Final Response	200	220	245	270

	FY1984	FY1985	FY1986	FY1987
Legislation:				
Telephone Calls Received Relative to Congressional or Legislative Activities.	8,840	10,920	12,000	11,900
Telephone Calls Initiated Relative to Congressional or Legislative Activities.	8,320	9,360	11,000	9,990
Requests for Views Handled................	650	780	800	832
Hearings Handled in which Bureau Staffs Participated...........................	35	33	34	38
NATIONAL PARK SERVICE				
Full-time equivalents	15	15	14	14
Dollars (in thousands)......................	588	634	652	652
WORKLOAD INDICATORS				
Congressional Liaison:				
Congressional and Other Calls Received....	20,800	25,000	25,000	25,000
Congressional and Other Calls Made........	n/a	n/a	n/a	n/a
Number of Finalized Letters, Memoranda and Incoming Correspondence Reviewed....	4,043	3,965	4,900	4,900
Individual Letters Received for Interim and Final Response..............	2,243	2,765	3,300	3,300
Legislation:				
Telephone Calls Received Relative to Congressional or Legislative Activities.	6,000	6,000	6,000	6,000
Telephone Calls Initiated Relative to Congressional or Legislative Activities.	3,700	3,700	4,000	4,000
Requests for Views Handled................	114	340	173	n/a
Hearings Handled in which Bureau Staffs Participated...........................	30	47	39	n/a
BUREAU OF INDIAN AFFAIRS				
Full-time equivalents	9	5	5	5
Dollars (in thousands)......................	397	286	257	270
WORKLOAD INDICATORS				
Congressional Liaison:				
Congressional and Other Calls Received....	3,700	3,700	3,700	3,700
Congressional and Other Calls Made........	2,500	2,500	2,500	2,500
Number of Finalized Letters, Memoranda and Incoming Correspondence Reviewed....	1,500	1,500	1,500	1,500
Individual Letters Received for Interim and Final Response..............	30	30	30	100
Legislation:				
Telephone Calls Received Relative to Congressional or Legislative Activities.	1,500	1,500	1,500	1,500
Telephone Calls Initiated Relative to Congressional or Legislative Activities.	1,000	1,000	1,000	1,000
Requests for Views Handled................	250	250	250	250
Hearings Handled in which Bureau Staffs Participated...........................	50	9	32	20
OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS				
Full-time equivalents	1	1	1	1
Dollars (in thousands)......................	29	28	29	30

	FY1984	FY1985	FY1986	FY1987
WORKLOAD INDICATORS				
Congressional Liaison:				
Congressional and Other Calls Received	50	50	50	50
Congressional and Other Calls Made	45	45	45	45
Number of Finalized Letters, Memoranda and Incoming Correspondence Reviewed	25	25	25	25
Individual Letters Received for Interim and Final Response	30	30	30	30
Legislation:				
Telephone Calls Received Relative to Congressional or Legislative Activities.	50	50	50	50
Telephone Calls Initiated Relative to Congressional or Legislative Activities.	30	30	30	30
Requests for Views Handled	10	15	15	15
Hearings Handled in which Bureau Staffs Participated	15	20	20	20
OFFICE OF THE SECRETARY				
Full-time equivalents	25	25	24	24
Dollars (in thousands)	1,067	1,180	1,046	1,093
WORKLOAD INDICATORS				
Congressional Liaison:				
Congressional and Other Calls Received	50,000	46,600	50,000	50,000
Congressional and Other Calls Made	30,000	23,000	25,000	25,000
Number of Finalized Letters, Memoranda and Incoming Correspondence Reviewed	9,000	9,000	10,000	10,000
Individual Letters Received for Interim and Final Response	5,100	4,300	4,300	4,300
Legislation:				
Telephone Calls Received Relative to Congressional or Legislative Activities.	35,000	33,000	35,000	35,000
Telephone Calls Initiated Relative to Congressional or Legislative Activities.	26,100	32,000	33,000	33,000
Requests for Views Handled	1,400	1,200	1,400	1,400
Hearings Handled in which Bureau Staffs Participated	190	160	175	175
OFFICE OF THE SOLICITOR				
Full-time equivalents	0	0	0	0
Dollars (in thousands)	0	0	0	0
WORKLOAD INDICATORS	n/a	n/a	n/a	n/a
OFFICE OF INSPECTOR GENERAL				
Full-time equivalents	0	0	0	0
Dollars (in thousands)	0	0	0	0
WORKLOAD INDICATORS	n/a	n/a	n/a	n/a

Willow Creek

In the fiscal year 1986 Continuing Resolution, Congress directed you to utilize up to 300 thousand dollars to pay or repay the costs of development of alternative winter stock water supplies by water users who have been deprived winter water stock from the main channel in Willow Creek, Idaho.

Question: Can you give me a status report on these efforts?

Answer: The Bureau of Reclamation received 27 claims as of June 19, the deadline for submission. The total value of the claims is $604,000. The claims are being received currently by the Bureau of Reclamation and the Office of the Solicitor. There is some reason to believe that a portion of the total amount claimed may be invalid. If the total amount of valid claims exceeds $287,000, each claimant will be awarded a pro rata share of the available funds.

OFFICE OF INSPECTOR GENERAL

Additional Committee Questions

The Fiscal year 1987 budget request for the Office of Inspector General is 16 million 300 thousand dollars, an 876 thousand dollar or 5.6 percent increase over the fiscal year 1986 adjusted level.

Your original request to OMB was for 17 million 70 thousand. OMB made several changes to your budget before it was sent to Congress. For example, the funding for Audits was decreased, while the funding for Administration was increased.

Please explain what recommendations were made and what changes you made in your budget request which resulted in these new numbers.

If Congress approves the total figure for I.G., would you recommend any changes in the allocation of these funds within your office?

Answer: With respect to our original request for $17,070,000, OMB's passback to the Department was for the requested amount. However, since OMB had cut other Bureaus' and Offices' requests the Secretary felt that some Bureaus and Offices had taken too large of a cut and that the cuts should be more equitably distributed. Therefore, the Department redistributed the cuts among the Bureaus and Offices and reduced OIG's request by $770,000.

With respect to funding for Audits and Administration, monies were shifted from the Audits and Investigations accounts to the Administration account in order to centralize budgeting and paying of overhead expenses common to all three activities. Also, the salaries and benefits of the Inspector General's immediate staff, which were previously distributed between the accounts, are now all charged to Administration. Since OIG is a relatively small organization that shares overhead costs for space, communications/utilities, fiscal/administration, repairs, and postage, it is not practical to attempt to track these costs back to individual accounts. Centralized management of these charges permits better monitoring of costs for accurate accounting and budgeting, and facilitates prompt payment of the consolidated bills received by the OIG.

If Congress approves the total figure for OIG, I would not recommend any changes in the allocation of those funds within the OIG at this time. However, since we have a common mission to prevent and detect fraud, waste and abuse, placing OIG funds in three accounts decreases our flexibility and impairs our responsiveness. Because OIG is relatively small, subdividing the budget causes numerous management problems. Resources cannot be easily shifted to meet the needs of audits or investigations. Fluctuations in costs, such as travel, that involve large portions of the budget can create a significant hardship for an individual element. If there is unusual turnover in audit or investigations, the cost of duty station changes can run much higher than anticipated. One or more of these situations can occur and thereby create a shortage in one of the accounts even though the other accounts have funds. All of our offices share support equipment and even staff in some instances; therefore, the record keeping needed for separate accounts becomes cumbersome. A single line item for our budget would greatly increase my flexibility and simplify our work.

AUDITING

To comply with the sequestration order, the Office of Inspector General deferred a number of audits and curtailed some audits which required travel to field locations.

Specifically, which audits will be deferred and which will be curtailed?

In taking this action to curtail audits, what criteria is used?

It is not your intent to curtail necessary audits because of the travel costs?

Answer: We are deferring audits relating to some aspects of the royalty management program and Indian schools, facilities and self-determination services. We will also perform fewer audits of revenue, procurement and payroll activities in the territorial governments.

In addition, we are deferring audits which are travel intensive, such as auditing the operations of the ADP Centers which are spread throughout the country. We also will be performing fewer audits of Indian tribes and will limit the number of OIG staff attending meetings such as audit exit conferences.

To determine which audits could be deferred or curtailed, we reviewed the travel requirements for each audit scheduled for FY 1987. The reason for the audit and the vulnerability of the program, function or organization were then reviewed to assure that we did not defer or curtail any audits for which there was an immediate and critical audit need.

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In fiscal year 1985 OIG identified a total of 173 million dollars in potential audit recoveries and cost efficiencies.

The most significant result dollar-wise involved eleven reports that identified 50 million dollars in potential underpayments of royalties by oil and gas companies.

What actions is the Department taking to collect these royalties?

Did you make any recommendations that would prevent this type of fraudulent transaction in the future?

Have you had any similar results in fiscal year 1986?

Answer: OIG's experience of auditing oil and gas royalty payments has not disclosed any instances of fraud. Based on our experience, underpayment of royalties was caused by: (i) interpretative or legal valuation issues where either the laws or implementing regulations governing royalty payments were not well defined (63 percent); (ii) systemic and manual errors involving the computation and/or valuation of the production for royalty purposes (35 percent); and (iii) production reporting errors (2 percent).

In order to strengthen royalty accounting procedures, we recommended that MMS establish residency audit offices at the major payor offices. To date, MMS has 13 residency offices operating and has established regional offices in Tulsa and Houston with suboffices in Dallas and Metairie. Payor accounting offices are concentrated in these cities. Consequently, MMS is able to maintain a constant audit presence with payors who remit more than 80 percent of the total royalties paid.

Additionally, OIG has made numerous recommendations relative to product valuation matters. The Department has presented its product valuation regulations to the Royalty Management Advisory Committee for review and comment, but the absence of product valuation regulations continues to be a problem.

OIG has established a residency audit office at MMS' Lakewood Accounting Center to provide continuous audit oversight of the Federal Royalty Management System.

The status of the potential royalty underpayments identified in FY 1985 is:

Amount (in millions)	Percent	Status
$18.7	35	Collected
10.9	21	Assessed by MMS
12.0	23	MMS has corrective action plan with target date for completion
9.6	18	Pending resolution of legal issues
1.6	3	Open
$52.8	100	

During the first 8 months of FY 1986 we identified about $24 million of potential additional payments.

* * * * * *

Your auditing efforts will focus on the Royalty Management System, specifically, the Bureau of Indian Affairs, Territorial Governments and selected water projects. In response to Congressional concern you have completed an audit of the Central Arizona Project.

What were the results of this audit?

Answer: Our report on the Central Arizona Project (CAP), "Review of the Status of the Central Arizona Project, Bureau of Reclamation," was issued on April 4, 1986. We found that the estimated cost of about $1.1 billion for Plan 6, the alternative to Orme Dam, is $934 million greater than the $166 million indexed cost of Orme Dam as originally authorized. This increase is a significant departure from the authorized project. We also found that the District's repayment obligation, which is estimated to be in excess of $2 billion, is $800 million more than the District's existing contractual obligation of $1.2 billion. The audit report also concluded that (1) the authorized appropriation ceiling, as computed by BOR, includes $175 million of unsupported or questionable costs; and (2) BOR's estimated ad valorem tax revenues, which are available to the District to meet its CAP repayment obligation, will exceed the District's maximum taxing authority by an estimated $134 million at the end of the 25th year of the repayment period.

BOR could increase the Government's return from CAP by over $80 million by (1) initiating the repayment of New Waddell dam at the time it is placed in service, (2) revising the District's repayment Defaults article to exclude the 30-day grace period for annual payments, and (3) implementing the provisions of the Act and the District's repayment contract which provide for assigning the total excess capacity costs of the Granite Reef Aqueduct to the District for repayment.

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Compact of Free Association Audits

For FY 1987 you will be conducting 5 audits within the Compact Governments (FSM, RMI and Palau).

Did you perform a similar number of audits in these countries in fiscal year 1985 and in fiscal year 1986?

Answer: In FY 1985, we issued ten internal audit reports on the territorial governments covered by the Compacts of Free Association (Federated States of Micronesia, Marshall Islands, and Palau).

During the first half of FY 1986, we issued one internal audit report. We also issued eight reports which were prepared under the Single Audit Act. In addition, we currently have three internal audits in process.

* * * * * *

In the fiscal year 1986 hearing Inspector General Dooley stated that the State Department would assume auditing responsibility for the Freely Associated States. However, we were informed by the Inspector General's Office of the Department of State that no funds have been included in the FY 1986 budget to provide for audits of these Compact governments.

Have these assumptions changed in the fiscal year 1987 cycle?

Answer: It appears that our office will have primary responsibility for audits of the compact governments; however, the exact responsibilities have not yet been defined. Compacts for the Federated States of Micronesia, Marshall Islands and Palau are expected to be in effect by late summer or early fall of this year. The draft "Fiscal Procedures Agreement" leaves the audit responsibility with OIG. We know an annual financial audit will be required; however, what further level of auditing is required is not known at this time.

* * * * * *

In your Semiannual Report issued in April of this year you state that you will complete and analyze a report on your "audit results and followup involving, Guam, American Samoa and the Virgin Islands to determine future directions."

Are you suggesting a change in policy with regard to non-Compact Territorial governments?

Answer: After analyzing our report on our audit results and followup involving Guam, American Samoa and the Virgin Islands, we will determine whether or not we should revise our policies relating to auditing the non-Compact territorial governments.

P.L. 97-357 requires that we "maintain a satisfactory level of independent audit oversight" of those governments. However, the departmental audit followup official (Assistant Secretary - Policy, Budget and Administration) has determined that the Department of the Interior does not have the authority to require the territorial chief executives to implement our audit recommendations. If our followup report indicates that the territorial officials have not implemented most of our recommendations, we will reconsider the amount of audit coverage we are currently providing. One alternative could be to only audit Federal contracts and grants for which the Department has the authority to require implementation of audit recommendations.

Investigations:

The Office of the Inspector General is divided into three departments, Audits, Investigations and Administration. Your investigations unit consists of 48 out of a total of 289 FTEs at OIG and has a budget request of $2 million 430 thousand dollars for FY 1987 or approximately 15 percent of your total budget request.

In FY 1985 354 cases were under active investigation, 63 criminal indictments were obtained, an additional 29 cases were in Grand Jury with indictments pending, 124 administrative actions were taken, 94 thousand, 693 dollars was recovered and an additional 4 million 185 thousand, 636 dollars were filed in civil actions but not yet adjudicated. This is quite an accomplishment for a staff of 48.

Is the Investigations unit working on a similar production level in fiscal year 1986 and fiscal year 1987?

You have requested an increase of 31 thousand dollars for Investigations in fiscal year 1987. How will this increase be utilized?

Answer: At the end of the first half of FY 1986, we had 473 cases under active investigation, 42 criminal indictments, 13 additional cases in Grand Jury with indictments pending, 207 administrative actions and $1.5 million in recoveries. That rate of production clearly exceeds our FY 1985 level and the second half of FY 1986 appears to be going as well. However, we have lost a number of senior investigators to the opportunities available in IG organizations that are increasing their investigative staff and we are replacing them with entry level trainees.

This places a dual burden on our remaining senior investigators of both carrying a caseload and providing the necessary training for new agents. For that reason it is unlikely that we can maintain our exceptional production levels during FY 1987. Our objective will be to rebuild our workforce so that we can return to those levels in FY 1988.

The increase of $31,000 for FY 1987 will be utilized for personnel benefits and equipment.

As a result of the sequestration order, the Investigations unit reduced travel and moving costs. In addition, the investigative vacancies in the Virgin Islands and Alaska will not be filled.

If your fiscal year 1987 request is approved, what are your plans with these vacancies?

Answer: We have sufficient funds in FY 1986 to put one agent in the Virgin Islands. A position will not be placed in Alaska in FY 1986 or FY 1987, and we will continue to refer investigative matters concerning Alaska to any investigative organization that may be able to act on them since travel costs are prohibitive.

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In your April, 1986 Semiannual Report you cite several instances of embezzlement. In one case 500,000 dollars was embezzled by three DOI accounting technicians within the BIA, BLM and the Geological Survey.

How long did these missing funds go undetected?

What is being done throughout the Department to curb this crime?

Answer: In this instance, there were actually three separate cases. In each case, the embezzling was ongoing at the time it was detected by OIG investigators. The time periods over which the funds were being embezzled ranged from two to ten months.

As a result of these investigations, several new procedural controls were initiated including extensive field training for cashiers and on-site internal reviews by area offices.

Purchasing Audits

In fiscal year 1987, you estimate the number of purchased audits increasing to 207 from the fiscal year 1986 level of 89. This increase is for purchase of audit services from the Defense Contract Audit Agency and the Department of Health and Human Services which have been proven to be cost effective for the OIG.

Can you please explain why purchased audits are more cost effective to the OIG?

Will you be able to make reductions in other areas of your budget as a result of the savings that will be achieved as a result of this increase in purchased audits?

Answer: These audits are cost effective because they are limited in scope and are usually designed only to establish the amount of a claim or the reasonableness of a contractor's proposal; whereas, OIG makes a more indepth expanded scope review of contractor proposals or claims. OIG uses the services of DCAA and HHS to audit Interior contracts and grants when these audit groups have already performed interim cost audits on the contract, are in residence at or physically located near the contractor, or have had recent audit experience with the contractor. However there is a saturation point for opportunities to have DCAA and HHS perform audits for us.

Funding constraints during the current fiscal year have prohibited us from honoring all requests for audits from the Department's bureaus. As a result, several bureau officials have expressed concern about the lack of assurance that Federal contract dollars are being properly spent. The

$150,000 available for the purchase of audits this year from DCAA and HHS is less than in the last four years when the amounts spent ranged from $296,000 to $523,000. The $200,000 requested would bring us close to prior year funding levels. Therefore, we are unable to make reductions in other areas of our budget because no "savings" have actually been achieved, but rather, the additional monies allow for audits to be conducted that lapsed in prior fiscal years due to budget constraints.

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On page 12 of your justification you list the number of audit reports issued in FY 1986 and FY 1987. In FY 1986 you issued 120 reports on single audits of grantees. In FY 1987 you will issue 617 as a result of the Single Audit Act of 1984.

Why is this increased workload an indication of the Single Audit Act of 1984?

What is the cost of this increase?

Answer: The primary reason for the increase in the single audit workload is the provision in the Single Audit Act of 1984 for sanctions if an audit is not performed. Recipients who do not implement the audit requirements run the risk of having their Federal funding withheld until an audit is performed. There were no similar provisions under Attachment P of OMB Circular A-102; as a result, many recipients did not comply.

The number of recipients which have already implemented the single audit requirements exceeded our previous estimates. Based on the current trend, we expect to issue approximately 550 single audits in FY 1986 and 690 in FY 1987. This is substantially higher than the 277 single audits we issued in FY 1985.

To handle this increased workload requires the shifting of staff from other internal audit priorities to single audit. The additional workload attributable to the Single Audit Act requires about 10 positions.

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What have you done to strengthen the Audit Resolution process?

Answer: The Assistant Secretary for Policy, Budget and Administration and the IG have worked closely to establish an audit resolution council consisting of the two of us and the Principal Deputy Under Secretary. We meet periodically to discuss those issues requiring decisions by higher level Department managers as well as to resolve long-standing issues.

By bureau, how many audits were not responded to in the allowed time frame?

How many audits were not responded to at all?

Answer:

SUMMARY OF RESPONSES TO INTERNAL AUDIT REPORTS
ISSUED 10/1/85 - 3/31/86
(STATUS AS OF 6/13/86)

Bureau	No. of Reports Issued	Received But Not in Time Allowed	Not Received At All	Received on Time	Other 2/
Department/Office of the Secretary	8	7	1	-	-
Bureau of Indian Affairs	21	9	4	3	5
Fish and Wildlife Service	4	2	1	1	-
National Park Service	4	1	2	-	1
Bureau of Land Management	3	1	-	1	1
Minerals Management Service	12	11	-	1	-
Office of Surface Mining	1	1	-	-	-
Bureau of Mines	1	-	-	1	-
Bureau of Reclamation	1	1	-	-	-
Geological Survey	1	-	1	-	-
American Samoa	4 1/	2	2	1	-
Virgin Islands	8	-	3	3	2
Guam	2	-	-	-	2
Federated States of Micronesia	1	-	1	-	-
	71 1/	35	15	11	11

1/ One report required a response from TIA and a response from the Governor. The status for each is different.

2/ No response required, or response not yet due.

Office of the Solicitor

STATEMENT OF RALPH TARR, SOLICITOR

ACCOMPANIED BY:
TIMOTHY VOLLMANN, ASSOCIATE SOLICITOR FOR INDIAN AFFAIRS
W. PIERCE ELLIOTT, ACTING ASSOCIATE SOLICITOR FOR ENERGY AND RESOURCES
TIMOTHY ELLIOTT, ACTING ASSOCIATE SOLICITOR FOR GENERAL LAW

[Clerk's Note.—Due to problems in the official transcription of this hearing, the Department has reproduced the hearing from notes taken during the scheduled meeting.]

Senator McClure. Turning now to the Office of the Solicitor whose fiscal year 1987 request is $20,800,000, a 2.7-percent increase over the fiscal year 1986 adjusted level.

Testifying today is Mr. Ralph Tarr, the Solicitor for the Department of the Interior.

GRAMM-RUDMAN EFFECT

To meet the sequestration order, the Office of the Solicitor imposed a hiring freeze, restricted travel, overtime, and the ordering of legal subscriptions. Did any of these measures severely restrict your Office?

Mr. Tarr. We imposed these restrictions after taking a hard look at our programs and priorities. The restrictions imposed were judged to be the most effective means of staying within the amount available without adversely affecting our program operations.

Senator McClure. Since the sequestration order required some comparatively minor adjustments, is there any reason that you cannot live within that level in fiscal year 1986?

Mr. Tarr. No, sir.

COMPUTERIZED DATA BASE

Senator McClure. Part of the increase you have requested is to provide funding to create a computerized data base of Solicitor's opinions and to purchase terminals to facilitate legal research and increase the ratio of equipment to users in regional and field offices. Can you explain the current system of filing and how this new system will work?

Mr. Tarr. The current system is a manual filing and research system. The information is researched by manually searching files, photocopying, and, if necessary, sending via telecommunications or mail to other offices. The new system would covert data in the manual records to an automated data base on the management information system. This data will be readily accessible through terminals throughout the Solicitor's Office.

Senator McCLURE. Will this new system improve management efficiencies? If so, by how much and are the savings included in this request?

Mr. TARR. Productivity increases of as much as 15 to 30 percent are anticipated in areas involving this kind of legal research. Because approximately 5 percent of the attorneys' time is spent on these activities, nationwide savings of 2 to 4 attorney years are anticipated after implementation of this system. These savings are expected to occur primarily beginning in fiscal year 1988, and will permit us to provide better service by according greater resources to the full range of legal matters in the office.

GENERAL ADMINISTRATION INCREASE

Senator McCLURE. Of your requested $544,000 increase for fiscal year 1987, $108,000 is for general administration.

Mr. TARR. This increase is for higher base costs. Thirty-two thousand dollars is for repayment to the employees compensation fund for higher costs for compensation to injured employees. The remaining portion of the increase—$76,000—is an adjustment for increased space rental payments to the General Services Administration.

INDIAN OIL AND GAS ROYALTIES

Senator McCLURE. The Federal Oil and Gas Royalty Management Act of 1982 [FOGRMA] requires that oil and gas derived from Indian lands be deposited to the appropriate Indian account by the last business day of the month in which the funds are received. The Department has always interpreted this to mean the aggregate tribal and the aggregate allottee accounts maintained by the Bureau of Indian Affairs [BIA]. The U.S. district court for the district of New Mexico has interpreted this to mean each individual allottee's individual Indian money account. Would you please explain the problems surrounding this situation and indicate what action you are proposing?

Mr. TARR. I'd like to ask Mr. Timothy Vollman, the Associate Solicitor for Indian Affairs, to respond to that question.

Mr. VOLLMANN. In substance, the court has required the Department to deposit Indian royalty revenues into each individual allottee's individual Indian money account on or about the same day they are received. While we appreciate the importance of getting royalty revenues to the Indian beneficiaries as soon as possible, the requirement imposed by the court is impossible to meet. Moreover, it could be expensive to the Treasury because subsection 111(d) of the Federal Oil and Gas Royalty Management Act requires the payment of interest on any funds not deposited in an Indian account by the date required under subsection 104(b). We believe this interpretation is erroneous and on June 11, 1986, filed a motion with the court for reconsideration and/or clarification.

Royalty payments are due at the end of the month following the month of production. Consequently, the bulk of royalty revenues, including Indian revenues, is received in the last 2 or 3 business days of the month. The moneys received are deposited on the same day in the Federal Reserve and credited to the aggregate tribal or allottee account as of the day they are received. That same day the Bureau of Indian Affairs invests those amounts in interest-bearing Treasury securities under the trust authority in 25 U.S.C. 161a and 162a.

Thus, Indian royalty revenues begin earning interest as of the date they are deposited. However, it now takes the Department 3 weeks or more to process the revenues through the Mineral Management Service's accounting system so that they can be attributed to individual leases, and for BIA to apportion each lease's revenues by ownership percentages to individual Indian money accounts. Although the accounting and disbursement timeframes have been shortened over the past 2 years and processing improvements will continue to occur, the Department will always need a reasonable amount of time to account for and apportion allottee revenues.

For additional detail, we would like to provide for the record an overview of Indian royalty processing within the Minerals Management Service.

[The information follows:]

April 14, 1986

OVERVIEW OF INDIAN ROYALTY PROCESSING WITHIN THE MINERALS MANAGEMENT SERVICE (MMS)

Payors are required to submit a Report of Sales and Royalty Remittance (Form MMS-2014) accompanied by a check, if appropriate, to the MMS no later than the last day of the month following the month of product sales. However, if a payor has made an estimated royalty payment on gas sales, then the 2014 is not due for an additional month. It is important to note that the lease information on the 2014, not information on payment documents such as checks, drives the ultimate disbursement and distribution to the Bureau of Indian Affairs (BIA). Currently, about 3,700 checks and about 2,800 2014s are received monthly.

All checks and 2014s are initially controlled within the MMS Revenue and Document Processing (RDP) Section. This initial control includes segregating Indian from Federal documents, compiling said documents into manageably sized batches, copying all checks onto a Payment Processing Worksheet (PPW), matching PPWs to 2014s, and assigning unique Document Control Numbers to each PPW and 2014. Finally, 2014 Document Control Numbers are transcribed onto the corresponding PPWs to bond payments with 2014 reports within the MMS automated system, known as the Auditing and Financial System (AFS). Meanwhile, the actual checks are turned over to the MMS Funds Administration and Investments (FAI) Section. The FAI Section prepares deposit tickets for each batch of checks and deposits them into the U.S. Treasury via the Denver Federal Reserve Bank in downtown Denver.

All Indian batches are turned over to the MMS Indian Distribution and Disbursements (IDD) Section. The IDD Section transcribes the appropriate Distributee Code (also known as Fund Code and Tribe Code) onto each PPW along with an A or T indicating that the payor has designated the payment as allotted or tribal. Distributee Codes identify lease ownership within AFS by Indian tribe for tribal leases and by BIA office for allotted leases. In order to reduce the large number of payments requiring the above referenced coding each month by IDD, payors are required to remit a single payment for all allotted leases administered by the same BIA office and a single payment for all leases of a given tribe. To illustrate, a separate payment is required for each of the three following conditions:

--All allotted leases administered by the Navajo Area Office.

--All allotted leases administered by the Muskogee Area Office.

--All tribal leases for the Navajo Tribe.

However, rather than accepting the payor provided check information without question, 2014 data is reviewed to verify lease ownership as time allows. Since approximately 93 percent of all payments and reports arrive at MMS on the last 3 business days of each month, it is not possible to review all 2014 data. Once again, the 2014 data is what actually drives royalty disbursements and distributions, not check data. Frequently, a payor's check may indicate "Navajo Tribe" while the leases on the 2014 are owned by "Navajo Allottees." If IDD notes such a discrepancy, the Distributee Code transcription entered on the PPW will reflect the owner of the leases as reported on the 2014. Once the transcription process is completed, the batches are given back to the RDP Section where PPWs are segregated from 2014s. All batches are then sent to data entry. The IDD Section keeps a daily tally of the receipts of total tribal and total allotted payments. This information, along with a similar breakdown of Electronic Funds Transfer (EFT) payments, is telephonically given the following day to the BIA Branch of Investments in Albuquerque to assist them in their investment function. The EFT data is taken from the Treasury Financial Communications System (TFCS) by the FAI Section. The TFCS allows payors to remit payments directly to the U.S. Treasury and gives MMS immediate access to the funds.

Meanwhile, at data entry, the priority for keypunching is:

1) Indian PPWs
2) Federal PPWs
3) Indian 2014s
4) Federal 2014s

The keypunching process creates magnetic tapes which are then processed into the MMS automated system. The 2014 data is edited through the Royalty or Alpha system while the payment data is edited through the Financial or Gamma system. The payment data includes both the check data input by data entry and EFT data input by the FAI Section.

The Alpha system evaluates each line of the 2014 for proper lease numbers, product code, selling arrangement, sales data and over 150 other edits. If the Alpha system detects an error that would prevent the proper distribution of the funds, the line rejects and is not processed further. Lessee Contact Branch (LCB) receives hard copy printouts of the rejected lines and, through contact with the payor if necessary, makes needed corrections. Some corrections cannot be made until additional 2014s or other information is provided by the payor. Once a line has passed the edits, the royalty information for that line is transferred from the Alpha system to the Gamma system. This update of information occurs at least twice weekly.

The Gamma system processes the payment data as coded from the PPWs and matches it to the royalty document data that has come from the Alpha system. The EFTs are manually matched to the royalty documents by the Accounts Receivable (AR) Section. All payments are matched at the Payor and Distributee Code level for each 2014 document. Some 2014s may appear to be underpaid due to the payor submitting a correcting 2014, generally for negative amounts. However, when matched to other 2014s and checks, the correcting 2014 will bring the payor into balance at the Distributee Code level. A typical example would be a payor reporting by magnetic tape who, after reviewing the tape data, sends in one or more paper 2014s to correct errors reported on the tape and a check for the net amount of the magnetic tape and correcting 2014s.

Lines that are still rejected on the Alpha system will also disrupt the distribution of monies. Please remember that AFS will not allow any distributions to take place on a particular 2014 until the payment reference for that 2014 equals or exceeds the royalties reported at the Distributee Code level. Therefore, the net of all positive and negative 2014 lines for each Distributee Code must have cleared the Alpha system and have sufficient funds reported to cover the net royalty amount for each Distributee Code in order for distribution to occur.

Normally, the Gamma system creates a Voucher and Schedule of Withdrawals and Credits (SF-1081) within 2 working days of the receipt of the check or a notice of an EFT to MMS. The SF-1081 identifies all Distributee Codes and associated dollars within each deposit ticket. The SF-1081 information is verified by the IDD Section by reviewing the Check Register, which contains a list, by deposit ticket, of all checks received, EFTs sent to MMS, and any cash adjustments made by AR. Manual SF-1081s may also be prepared for adjustments not automatically done through the AFS. The SF-1081s are sent to the BIA Accounting and Finance Office in Albuquerque by overnight delivery service. BIA subsequently credits the appropriate tribal or aggregated allotted accounts.

MMS is required by the Federal Oil and Gas Royalty Management Act of 1982, Section 104(b), to deposit funds in the appropriate Indian account no later than the last day of the month in which the funds are received. As stated above, about 93 percent of all payments and reports are received at MMS on the last 3 days of the month. This fact, combined with the processing time required for such a large volume of checks and the time required for AFS to run the monthend accounting summaries, makes it impossible to inform BIA via SF-1081 of the proper Distributee Codes to which all these monies belong prior to the last day of the month.

Twice a month, generally around the middle and end of the month, an Indian Final Reconciliation is run on the Gamma system. Just prior to this program run, the IDD Section makes manual adjustments to the data in Gamma to allow for as much royalty to process and distribute through the system as possible. Recall that the AFS will not allow any distributions to take place on a particular 2014 until the payment reference for that 2014 equals or exceeds the royalties reported at the Distributee Code level. For example, assume a payor had paid $1,000 for a given Distributee Code and the reports reviewed by the IDD Section disclosed $1,050 worth of royalty lines (for the same Distributee Code) cleared through the AFS. Furthermore, assume that an offsetting negative $50 is rejected in the Alpha system for the same Distributee Code. The AFS cannot consider rejected lines for distribution until they are cleared and reside in the Gamma system. Therefore, this Distributee Code will appear to be underpaid since the $1,000 payment reference does not equal or exceed the $1,050 in reported royalties. In this situation, the IDD Section would take action to release as much of the $1,000 payment as possible. The IDD Section initiates about 200 such actions prior to each Indian Final Reconciliation.

After the Indian Final Reconciliation is completed, Indian Financial Distribution Reports (FDR) are printed. The FDRs are segregated by BIA office and provide in payor/2014/lease sequence the royalties reported on each 2014. Also, payment reference information is provided so that the BIA can properly calculate interest due at the lease level. Of the current monthly average of $12.6 million accounted for, about 70 percent is distributed to the BIA on the first FDR of the month. This equates to about 2 weeks after receipt by MMS. Most of the remaining royalties are distributed 2 weeks later, during the end of the month distribution process.

The FDRs are mailed to the appropriate BIA office the same day they are printed. The various BIA offices then use the FDRs to disburse monies to the appropriate allottees.

Summary of Events--Monthly Indian Royalty Processing

Previous Month

Last 3 working days--large majority of 2014s and payments received at MMS.

Current Month--All calendar days

First 3 days--processing end of month reports for previous month.

First through end of month--newly received payments and reports are continuously processed.

First through 10th--Payments and reports from end of previous month entered into system and processed.

Sixth through about the 10th--First opportunity for the Lessee Contact Branch (LCB) to correct and update errors.

About the 11th through 14th--AR and IDD manually match funds as needed.

Eleventh through end of month--LCB continually corrects errors.

About the 15th--First Indian Final Reconciliation is run.
Following day--Indian Financial Distribution Report mailed to various BIA offices.

About the 27th--AR and IDD manually match funds as needed.

About the 28th--Second Indian Final Reconciliation is run.
Following day--Indian Financial Distribution Report mailed to various BIA offices.

COSTS OF COMPLYING WITH REQUIREMENT

Senator McClure. What are the additional costs involved if the Department were forced to comply?

Mr. Vollmann. We would like to supply that information for the record.

[The information follows:]

The following is an estimate prepared by the Minerals Management Service of future Federal Oil and Gas Royalty Management Act interest liability for the remainder of this fiscal year and subsequent years assuming the appropriate Indian account language in FOGRMA is held to be the individual Indian money accounts.

Given the magnitude of effort required to compute the FOGRMA interest liability back to October 1, 1983, FOGRMA's effective date, we have opted to provide prospective figures only.

The figures we are providing assume the following conditions:

1. A constant 10-percent interest rate:
2. Stable, monthly allotted royalties of approximately $2.3 million which, of course, assumes stable oil prices;
3. Every allotted payment submitted by the payers is correct, that is, no adjustments are considered;
4. All allotted royalties are distributed to the Bureau of Indian Affairs agencies and area offices by the 18th of each month;
5. All interest is paid as accrued, that is, interest on interest is not applicable, and;
6. The FOGRMA interest figures provided are in addition to any other interest liability incurred by the Department of the Interior.

FOGRMA:[1]	
Interest liability/month	$11,333
Interest liability for June–September 1986	45,332
Interest liability for subsequent fiscal years	135,996

[1] This liability pertains to allotted Indian moneys only.

These figures do not include the costs of calculating and paying this interest each month. That expense would far exceed the interest liability.

WORKLOAD ESTIMATES

Senator McClure. In reviewing your justification, I note that your estimated workload for fiscal year 1987 is exactly the same as fiscal year 1986. This doesn't appear to be unusual except that it is an extensive breakdown of workload. Do you really anticipate your workload in fiscal year 1987 to be that close to fiscal year 1986?

Mr. Tarr. The workload projections represent our best estimate of what our workload will be in fiscal year 1987, based on actual workload data for the first quarter of fiscal year 1986.

Senator McClure. Are the workload estimates for fiscal year 1986 running that close to the actuals?

Mr. Tarr. In some areas, actual workload has not materialized as projected, particularly in the surface mining area. Additionally, the Office has deferred lower priority workload in some cases in order to concentrate on higher priorities.

OUTER CONTINENTAL SHELF

Senator McClure. Section 18 of the Outer Continental Shelf [OCS] Lands Act requires the Secretary of the Interior to come up with a new OCS plan every 5 years. Every time a plan is put together, however, the Department is sued. Of course, there is no reason to believe that the Department won't be sued after the next 5-year plan is released in 1987, but are we doing everything we can to see that that is minimized?

Mr. Tarr. I'd like to have Mr. Pierce Elliott, the Acting Associate Solicitor for Energy and Resources, answer that question.

Mr. W. Pierce Elliott. The Solicitor's Office is working closely with the Minerals Management Service to assure that the Secretary's decision is in full compliance with section 18 of the Outer Continental Shelf Lands Act.

Senator McClure. Have you taken a close look at the applicable laws to see if minor changes can be made to minimize this effort?

Mr. W. Pierce Elliott. Section 18 provides a complicated procedure for approving Outer Continental Shelf 5-year programs and this creates opportunities for litigation. We doubt that minor changes to either the program or to section 18 would put an end to the litigation.

HUSKY OIL CONTRACT

Senator McClure. In February of this year, on the advice from your Office, the Geological Survey signed a settlement agreement with Husky Oil to close out the national petroleum reserve—Alaska—contracts for an additional $2.1 million. Of these funds, $700,000 came from within available funds and $1.4 million is included in the Senate version of the 1986 supplemental appropriations bill. What was the urgency of the settlement?

Mr. Tarr. I'd like to have Mr. Timothy Elliott, the Acting Associate Solicitor for General Law, respond to that question.

Mr. Timothy Elliott. The settlement agreement executed on January 16, 1986, represented the culmination of over 1 year's efforts between the parties to achieve a final resolution to this $787 million contract. Government representatives met with Husky officials at the first of numerous settlement meetings in Seattle, WA, in late January 1985. Throughout 1985, the parties met on several occasions where Defense Contract Audit Agency auditors, counsel for both parties, and management, attempted to resolve the many audit questions. In December 1985, a final meeting was held to review, discuss, and settle the entire contract. These discussions were successful and led to the final settlement agreement executed in January 1986.

The request for a supplemental appropriation of $1.4 million originates from several deobligations of funds from the contract in 1982 and 1983. These deobligations totaled approximately $63 million and allowed the Department to fund other programs for which the Department had received prior clearance from this committee.

The major portion of the $1.4 million represents allowable costs incurred by Husky prior to the settlement and for which the Government was liable, irrespective of the signing of the settlement. The settlement agreement did fix and hold the liability of the Government to the end of December 1985.

Viewed from a different perspective, the longer the Government and Husky delayed the execution of the settlement agreement, the more likely the Government's liability to Husky would have increased under the cost reimbursement contract that originally had been executed on November 22, 1975.

AVERAGE GRADE DECREASE

Senator McCLURE. How will your Office make the projected decrease in the average General Schedule grade from 11.08 to 10.7?

Mr. TARR. As attorneys at the GS-13 and GS-14 level leave the Office of the Solicitor, we will replace them with lower grade attorneys.

CONSULTING SERVICES

Senator McCLURE. Again this year you have requested the use of $20,000 for consulting services. Can you give me a few examples on how these funds are being used in fiscal year 1986? Would they be used in a similar fashion in fiscal year 1987?

Mr. TARR. This funding is authorized to allow us to obtain expert advice at short notice. We have authority to spend $20,000 on consulting services in fiscal year 1986 but have not yet spent any this fiscal year.

COMPACT OF FREE ASSOCIATION

Senator McCLURE. Recently, your Office issued an opinion that the congressional funding provisions in the compact were authorizations and not entitlements. Could you briefly discuss this opinion?

Mr. TARR. I'd like to have Mr. Timothy Elliott respond to that.

Mr. TIMOTHY ELLIOTT. In brief summary, the opinion concludes that, with limited exceptions, the funding provisions of the Compact Act constitute authorizations as a matter of law. In the opinion, we hesitated to use the term "entitlements" in referring to the Compact Act provisions, preferring to discuss the question in terms of whether a court might enforce the provisions in the absence of specific appropriations. If a provision were one that could be so enforced, we termed that provision required. Provisions of the Compact Act that do require funding—and that, therefore, constitute more than authorizations—in our view consist of those of title I that carry the full faith and credit of the United States, that is, the Bikini Atoll cleanup under section 103(l) and the investment development funds under section 111(b)(1)); those of the compact itself, which are either comprehended expressly by full faith and credit language under section 236, or which constitute a U.S. commitment to make certain payments of money or to provide certain services; and those of title I that make reference to enforceable compact commitments. The opinion does not deal with the legal status of certain nationwide programs of various Federal agencies, referred to in sections 105 and 111 of that act, but states with respect to them merely that the programs will continue to the extent that funds are specifically provided for them.

Senator McClure. If these items are not entitlements but are obligations of this Government, is the only enforcement recourse through a court action?

Mr. Timothy Elliott. Our opinion recognizes that funding items in the Compact Act that are required to be funded—and that are not merely authorizations—constitute, in effect, binding legal obligations of the United States and are enforceable in court. An item that is neither an entitlement nor a binding legal obligation would not, in our view, be enforceable in court.

Senator McClure. If the court rules that the funding is required, could the Congress expect the Department to make the necessary request in the normal course of a budget?

Mr. Timothy Elliott. If the court were to rule that funding is required, either the Department of the Interior or some other department or agency, as appropriate, could be expected to make the necessary budgetary request.

ADDITIONAL COMMITTEE QUESTIONS

Senator McClure. Thank you for your testimony today, Mr. Tarr. There may be some additional questions which we will submit to you for response to the record.

Mr. Tarr. We will respond to the questions.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

Questions Submitted by Senator Frank H. Murkowski

Alaska Native Escrow

Question. Since the Department has not complied with the congressional mandate of ANILCA under section 1411, isn't the Government exposed to a lawsuit by Alaska Natives for its failure to comply with ANILCA?

Answer. Since the Department submitted its report on the native escrow account in July 1986 no litigation is anticipated and the question is moot.

Question. Regarding the overdue report, have all the amounts, not including interest, for funds collected from native lands been verified by the Department? If not, why not?

Answer. No; the Department is working with the State of Alaska on the Alaska railroad collections to identify the tract ownership required to distribute collections to the proper native corporations.

Question. Isn't it true that the major portion of these revenues from native lands are oil and gas payments that have been verified by the Department?

Answer. It is true that the major portion of revenues are from oil and gas that have been verified. Payment of principal and interest due has been made related to these revenues.

Question. If the bulk of collected funds have been identified, why have the interest figures not also been reported?

Answer. The Department is in the process of calculating the interest which is a complicated process involving multiple collections at various times. As a result of clarification language in the Omnibus Territories Act (Public Law 99-396), the Department will move promptly in the calculation of interest payments.

Question. Isn't it true that the United States earned compound interest on these native moneys, either by reinvestment of the moneys or by spending it and deferring borrowing?

Answer. As a practical matter, the accrual of these native moneys resulted in a deferral of borrowing. The compound interest issue was rendered moot by the clarification in Public Law 99-396.

Question. Can the Department report an interest amount, given the guidelines I have described, by July 15, so that we can discharge at least a major portion of this overdue obligation?

Answer. The Department is progressing on the calculation of the interest of the unescrowed money due to Alaska Natives. A major portion of this payment is associated with the Cook Inlet oil and gas revenues. The Department is currently working closely with the Treasury Department in certifying the amount for payment pursuant to the special procedures provided by the August amendment. Payment is expected to be issued to Cook Inlet Region, Inc., by the beginning of February. Other interest calculations are expected to be accomplished and paid to the corporations within the next several months.

Question. In view of all of the above, and given the Department's exposure to a potential lawsuit for its noncompliance with ANILCA, shouldn't you advise your client agency that these long overdue moneys may be appropriated in the fiscal year 1987 Interior appropriation bill?

Answer. We see no liability issues arising from consideration of what amounts Congress should appropriate to further public policy toward Alaska Natives. Funds for principal payments were included in the fiscal year 1986 Interior and Related Agencies appropriations. Interest payments are being made from the Treasury Department pursuant to section 22(b) of Public Law 99-396. No appropriation was made in the fiscal year 1987 Interior Act.

CONCLUSION OF HEARINGS

Senator McCLURE. This will conclude the subcommittee's scheduled hearings on the fiscal year 1987 budget request submitted by the President.

The subcommittee will stand in recess.

[Whereupon, at 2:55 p.m., Tuesday, June 10, the hearings were concluded, and the subcommittee was recessed, to reconvene at the call of the Chair.]

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